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CREATING SUSTAINABLE SERVICE RELATIONSHIPS IN THE POST-MODERN CONTEXT

A case study of Svenska Handelsbanken

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ABSTRACT

Today it is arguably so that we live in a post-modern society. This is said to have effects on the customers' behaviour and, if so, the companies must adapt to this. At the same time it can be seen that the service sector is becoming larger and sometimes mature and over-supplied. Further, new technology has also increased the possibilities for service companies to offer their service through impersonal communication channels. All this has led to companies adapting a more relational, rather than transactional, approach towards the customer. Consequently, the purpose of the study is to develop a model that explains how and in what ways a service company can create sustainable relationships and illustrate how service offerings could be delivered to customers within a post-modern context.

In order to visualise this relationship process a theoretical model has been developed. Our model is based on theories regarding post-modernism, service marketing, relationships, resources & capabilities and service quality. This model indicates that the prerequisite for a relationship to exist is that the customers perceive that there is service quality in the company's offering. This will in turn enable the customer to feel the existence of relationship quality, which in turn leads to loyalty and consequently, a sustainable relationship. Further, by merging the approach of the resource based view with services marketing we seek to determine what resources in the company that contributes to the customer's perception of high service quality.

To be able to test this model, a case study using Svenska Handelsbanken as case company was conducted. Numerous interviews were carried out with both employees at the bank, as well as customers. These interviews enabled us to determine the customers' perception of the bank's service quality, as well as how the bank utilised their different resources in order to create service quality in their relationship to the customers, in the post modern context.

Through our empirical findings and analysis it has been establish that there exist two main forms of relationships, the personal and impersonal. Further, it could also be seen that the customer chooses to have either an impersonal or a personal service delivery based on their perception of uncertainty and involved risk. It was also found that the customer perception of service quality clearly affects the relationship, and it is our understanding that the criteria *attitudes and behaviour*, *reliability and trustworthiness* and *reputation and credibility* are most important for the customers. All the post-modern conditions were identified to affect the service company and it is understood that the condition loss of commitment represents the biggest threat to the relationship.

Our overall conclusion is that a service company must focus on each individual's needs in order to satisfy the customer and, thus, enable a relationship. This is done by placing the employee, supported by the other company resources, as close to the customer as possible, both in terms of physical and mental distance.

Keywords: Relationships, service quality, post-modern, services, services marketing, resources, banking, Handelsbanken.

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1 INTRODUCTION

This introductory chapter will give a background and problem discussion leading into the area of research that this thesis will focus on. Further, the purpose and delimitations will be presented. The research model and the thesis outline will graphically present the structure of this thesis.

1.1 Background

Many researchers¹ all over the world argue that we in this new century live in a post-modern society. The post-modernism can be seen as a reaction towards the eras of enlightenment and modernism that used science, reason and logic to discard the myths and holy ideas that kept humanity from progressing.² A post-modern era is, among other things, characterised by the shift in attitude where production is now considered less important than consumption. It is when consuming a product or a service that the value perceived by the customer is created. Post-modernity³ tends to focus much more on form and style rather than content. The post-modern citizen also wants to experience everything, both past and future, in the present – “here and now” are key words.⁴ When looking explicitly at the market, the conditions in modern industrial societies were mass markets, mass production, mass distribution and homogeneity and standardisation. These can be compared to the market conditions of post-modern societies, which are characterised by market fragmentation, services and information technology, pluralism, service accessibility and freedom of choice.⁵

Structural changes in the industrialised countries’ economies after the WWII and the development in the post-industrial era have had a great impact on services and increased its importance. Today, the service sector is no longer made up of what before was not characterised as the manufacturing sector, the industrial sector or the agricultural sector. On the contrary the service sector is becoming larger and larger. For example, in 1997, the services sectors of the

¹ Firat, 1991, Firat, Dholakia & Venkatesh, 1995, Firat & Schultz II, 1997

² Powell, 1998, p.8

³ A distinction can be made between post-modernism, which is used to describe the philosophies and ideas of the post-modern era, and post-modernity which are the global conditions which we experience and live in

⁴ Firat & Shultz II, 1997

⁵ Firat, Dholakia & Venkatesh, 1995

United Kingdom, Germany, France and Sweden represented almost two thirds of the respective country's GDP.⁶ Also, in the 1990's, the United Kingdom became the first country to export more services than physical goods.⁷ Today, there is a mutual interdependency between producing and services companies.⁸ Therefore, the strict boundary between services and producing companies is less evident.⁹

The post-modern thinking and increased importance of services and technology have come to have an effect on the people, market and marketing practice today.¹⁰ There is an increasing amount of markets that are mature and over-supplied and this saturation means that classic mass marketing actions are less efficient as well as less profitable.¹¹ This saturation is most evident in markets providing fast moving consumer products and services, such as grocery stores.¹² The environments in which consumers live and act has shaped the people to become less affected by the marketing messages transmitted to them. Consequently, the actors such as companies and suppliers in the markets are changing their behaviour to attract attention and capture customers in order to be able to offer continuous business and it is now more important to offer the customers an experience in order to reach them.¹³

Other implications of post-modernity that services businesses are facing are the unpredictable actions and choices of consumers. The freedom of choice and loss of commitment makes it even more important to offer a service that is of great quality and, thus, decreases risks of switching to another service provider. Consumers use images in products and services consumed to visualise their own opinions and beliefs. More and more services are being able to use technologies giving access to service round the clock, but also reduce the amount of personal interaction between consumer and provider. These changes have other implications for a service company as well. A service company must

⁶ www.eu2001.se

⁷ Egan, 2001

⁸ Arnerup-Cooper & Edvardsson, Grönroos, 2000

⁹ Egan, 2001

¹⁰ Firat et al. 1995

¹¹ Grönroos, 2000

¹² Egan, 2001

¹³ Gilmore & Pine II, 2002

understand and react to these changes in order to stay compatible and, for that matter, in the long run survive.

Turning to history, consumer marketing has traditionally had the focus on the single transaction of goods and/or services between companies and consumers. Models and strategies in this marketing management¹⁴ approach focused on manufacturers and product brands they offered consumers. A marketing department was regarded as the last function in the production process of the core offering provided by the company, with a mission to manipulate and tell customers what to purchase.¹⁵

The academic marketing field reacted slower to the importance of services than the society and industry and, therefore, the legitimacy of services marketing was not established until the 1980s.¹⁶

Services are characterised as intangible in comparison to products and consumption of a service is inseparable from production, which means that services is a process where the consumer and provider interacts. This means that services are inherently relationship-oriented.¹⁷ The relationship orientation gives the company several advantages. As Levitt¹⁸ states, a relationship, unlike a single transaction, does not end after the interaction. Instead, it has the possibility to grow and become more intensified. This offers an advantage to the company, since it is today considered a universal truth that retaining customers is less expensive than acquiring new ones, even though it is still important to acquire new customers as well.¹⁹

The aim of a relationship is that it should be positively beneficial for all involved parties, mainly based on economical but also social factors, which are the outcomes of a relationship.²⁰ When these benefits are mutually recognised, it can be considered to be a successful relationship. Sustainable relationships

¹⁴ Kotler, 1999

¹⁵ Dall'Olmo & de Chernatony, 2000. Egan 2001

¹⁶ Arnerup-Cooper & Edvardsson, Grönroos, 2000

¹⁷ Lovelock, 1996, Grönroos, 2000, Egan, 2001

¹⁸ Levitt in Arnerup-Cooper & Edvardsson

¹⁹ Dall'Olmo & de Chernatony, 2000, Egan 2001

²⁰ Rao & Perry

are created when the involved actors wish to maintain and keep the existing successful relationship.²¹

Successful relationships are achieved through high relationship quality. Relationship quality has four main dimensions, which are trust, satisfaction, commitment and conflict (negative). By nurturing these dimensions and thus creating perceived relationship quality for customers, customers can become loyal and will consequently be engaging in repeated purchases and are less likely to switch to other service providers.²² Relationships, if used correctly, offer advantages for customers. Through a relationship, customers can develop and feel trust towards organisations and thus reduce the amount of perceived risk in an interaction. Further, it also offers customers better opportunities to communicate his/her needs and wants to the organisation and consequently this might increase satisfaction.²³

This relational orientation approach in services marketing towards the consumer is seen as an antecedent to relationship marketing approach (RM). The most recognised researchers within services marketing, e.g. Berry, Gummesson and Grönroos, have seen and still see services marketing in terms of this approach.²⁴ The RM approach discusses implications of a relationship and the objective is;

“... to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises”²⁵ .

This definition is extensive and covers objectives of all parties involved in a relationship. In other definitions, Grönroos has sometimes included termination of relationships as well. Some relationships are not profitable for one or both parties and no incentive for continuation exist. However, we feel that the above mentioned definition is relevant, since it clearly states the criteria and objective,

²¹ The Concise Oxford Dictionary, 1990

²² Roberts et al, 2003, Egan, 2001

²³ Grönroos, 1994

²⁴ Voss & Voss, 1997, Grönroos, 2002, Payne et al, 1995, Steh & Parvatiyar, 2000

²⁵ Grönroos, 1994, p.9

and that termination will eventually occur if the needs are not met and satisfaction does not occur.

As we have described above, there are benefits of using a relationship approach when offering services in the post-modern context. However, selecting and using this approach does not mean immediate success. On the contrary deciding to use the relationship approach merely constitutes the start of a journey, where companies will be faced with problems and forced to make important decisions, especially when taking post-modernity into account. The relationship approach defined in the quote does not give any description of what characterises the relationship between the actors. However, relationships in the service sector do not need to be personal, but can be of a more impersonal character provided by technology, e.g. medical advice can be given through web pages or make money transfers through telephone banking. This is also illustrated in the definition of what a service is, presented in section 3-2, where it is stated that the interaction in the service process is not necessarily personal.²⁶

One industry where the effects of post-modernity are clearly visible, is the financial industry and banking sector where, among other things, technological changes have made it possible to engage in these more indirect relationships between the actors. Decisions taken by banks will ultimately effect whether relationships can be deemed successful by customers and companies.

Achieving this success is vital, and as the following quote indicates, relationships between companies and customers, today, are criticised:

*"...a close look suggest that relationships between companies and consumers are troubled at the best. When we talk to people about their lives as consumers, we do not hear praise for their so-called corporate partners. Instead, we hear about the confusing, stressful, insensitive, and manipulative marketplace in which thy feel trapped and victimized."*²⁷

Consequently, we will now describe some problems and questions, which will face service companies. This will eventually lead to our research problem.

²⁶ Gutek et al, 1999, Gutek et al, 2002, Grönroos, 2000

²⁷ Fournier et al, 1998, p.43

1.2 Defining the problem

The transformation of society from modern to post-modern has had an impact on individuals. Individuals in the post-modern context express a lack of commitment in terms of products, ideas and projects. This has led to customer behaviour being harder to predict. It is now instead a buyers market and, therefore, we ask ourselves if service companies have adapted to this situation and take into consideration what the customer actually wants? It is not only sufficient to ask about the actions of service companies, but do customers really know what they want or do they wish to be offered solutions they “need” determined by service companies?

A service company can no longer only compete with its core offering, instead the offering must, in some way, be broadened to create competitive advantages.²⁸ At the same time, a service company must understand customer's needs, which is not only to be provided with the basic services, but also to be able to create images, lifestyles as well as having experiences in the services offering.²⁹ For example, using a mobile phone subscription with Vodafone does not only satisfy the need to make a phone call, but indicates a lifestyle and image as well as offering the possibility to experience the moments of Vodafone communicated by advertisements. Further, a service company must recognise that customers, even though the focus of post-modernity is on individuals, seek different value systems and create multiple images of them.

Simply understanding customer's needs are, however, not enough; all companies including service companies must also be able to compete with other rival companies. In the service sector, as well as other sectors, competing with price and using price as a competitive advantage is only possible within a short-term perspective. This will instead lead to lost profits for the company, which will prevent the company's ability to stay competitive.³⁰

Therefore, the company must learn to analyse how the value is created in the consumer's mind in order to create a total integrated offering which attracts the consumer. This approach, which is called the service perspective, enables

²⁸ Dall'Olmo & de Chernatony, 2000. Egan 2001

²⁹ Gilmore & Pine II, 2002

³⁰ Grönroos, 2000, Grant, 2002

management to create a total offering, which is called a service offering that includes both the core solution, as well as, a number of integrated services.³¹

The company must, also, understand that there exists competition from other sources than rival companies. The customer tends to have a number of basic, close and important relations such as family, friends and employer, etc., which the company must compete with.³² In what way can the company ensure that the service and relationship can co-exist with these relationships?

When having established how the customer can be satisfied, companies face the important decision of how to create and, then, visualise its relationships and its service offering. The development of technology has enabled the company to increase the share of indirect encounters with the customer. This is demanded by the customer due to the need of increased accessibility in order to be able to focus on their close basic relationships. Implications for service companies are therefore, how they can continue to build sustainable relationships when the amount of indirect means of communication increases? How can the benefits of the personal relationships, such as feelings of potential/prior satisfaction, trust and loyalty, be transferred into these indirect interactions?

The increased amount of indirect encounters, in combination with the intangible characteristics of services, increases the importance for the service company to promote its values and an image of the company to the customer. This can be emphasised by the intangible company resources, such as brands, reputation, employee knowledge, patents etc.³³ This forces the company to identify its tangible and intangible resources and then turn them into capabilities, which deliver high qualitative service to the consumers.³⁴

A resource that is not only important but rather a prerequisite when creating and building relationship with the customer is the employees. The customers view employees as the firm and their interaction with customers are viewed as one of the main sources of customer information. The implication for the service company is how to manage the employees to act in a way that creates

³¹ Grönroos, 2000, Grönroos, 1994

³² Fournier et al, 1998

³³ Egan, 2001

³⁴ Grant, 2002

service quality for the customer. Since the qualitative service is what the customer perceives it to be, a service company must look upon the customer as an asset, which provide the organisation with valuable information. The challenge for the company lies in identifying the main issues affecting service and relationship quality and using this information to satisfy the customer and thus create a competitive advantage.³⁵

The abovementioned decisions that the company must make will, however, have little effect unless the company analyses how to provide their service to the customer. This can be done through indirect and direct encounters. The difference between a direct and indirect encounter is the nature of the interaction between customers and service companies. In the direct encounter consumers interact with a person while in the indirect the services can be provided through machines, e.g. telephone or computer.³⁶ Is there any possibility or, for that matter, a need to try to establish a personal relationship between the customer and the service provider in a global service organisation such as e.g. McDonalds and Hilton Hotels? Another example is the banking sector, where the technological changes have made it possible to engage in more indirect relationships between the actors; however the sensitivity of the nature of business makes the customers demand trustworthy and reliable services in personal relationships. How is it possible to make this combination work? *How can banks and other financial organisations develop their business in a successful way, when the customers in the post-modern society require contradicting demands such as technological advances, impersonal contacts and benefits of the personal contacts at the same time?*

Thus, as seen in this background and problem discussion, service companies seem to want to establish relationships with customers. However, given the context of the post-modern society and the development of e.g. technology described above, pressure is being increased on companies. A benefit of relationships is retention, which is enabling a sustainable relationship with the customer. This relationship must be built on high relationship quality, which is based on customers feeling trust, satisfaction and commitment. Creating this high relationship quality is, as seen in the quote stating that relationships are

³⁵ Grönroos, 2000

³⁶ Gutek & Welsh, 2000, Grönroos, 2000, Lovelock, 1996

troubled at best, not an easy task. Several decisions have to be made that ultimately affect the customer's perception of the quality in his/her relationship.

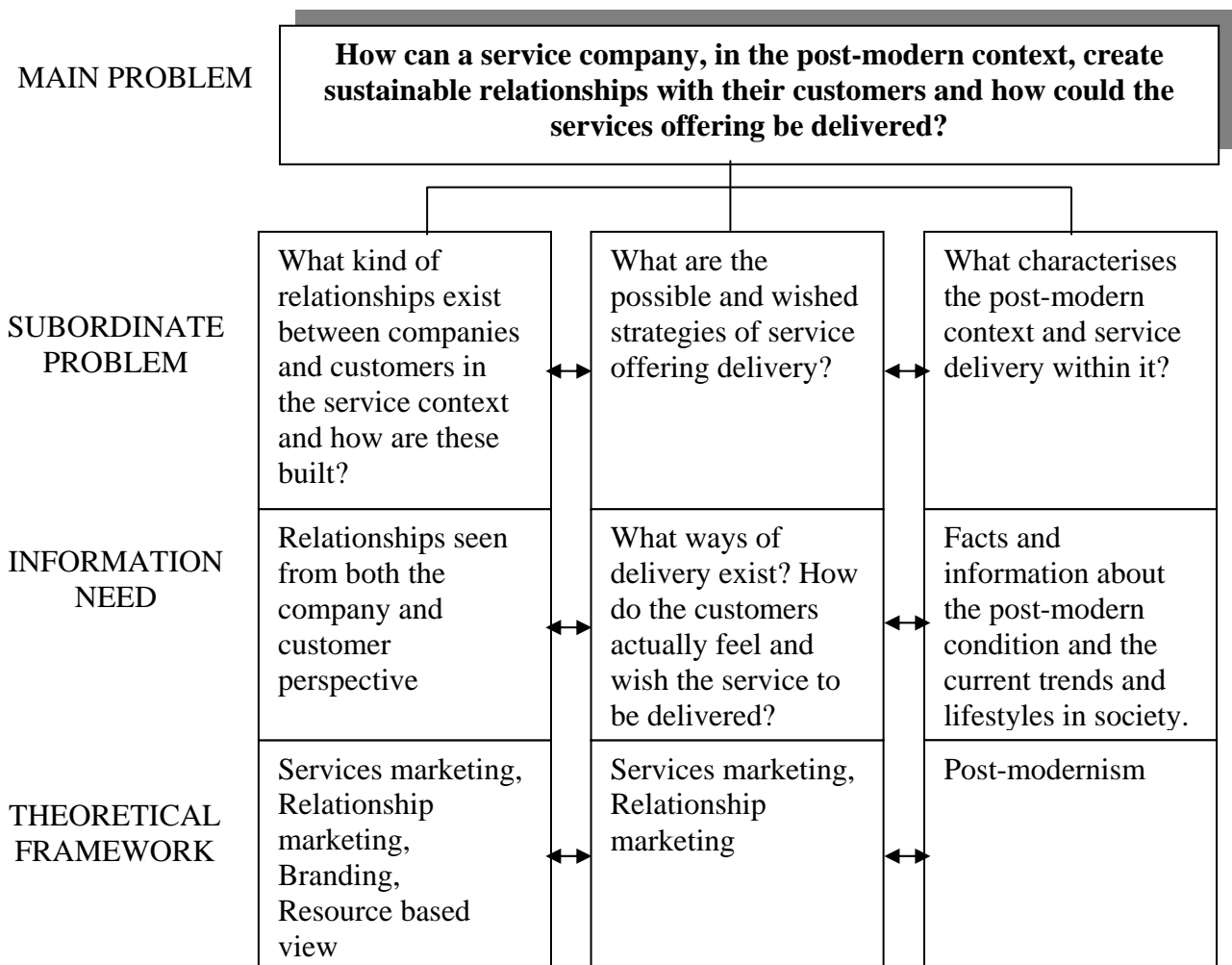
Consequently, this discussion of which problems that faces the service company after selecting to use a relationship approach has lead us to our **main research question**:

How can a service company, in the post-modern context, create sustainable relationships with their customers and how could the services offering be delivered?

1.2.1 Sub questions

The main problem can be divided into three main areas that need to be investigated in order to reach a conclusion. The areas are post-modernism, relationships in services industries and the delivery of the services offering.

Figure 1-1 Research model



Source: Authors' own elaboration, 2003

The research model above gives a clear overview of the subordinate problems, the information need and theoretical framework that is necessary to look into in this thesis.

1.3 Purpose

As described in the background and the problem discussion in this chapter, there exist needs to increase the knowledge about how the relationship between services companies and customers in a post-modern context can develop and be delivered.

The purpose is to:

1. develop a model that explains how and in what ways a service company can create sustainable relationships and
2. illustrate how services offerings could be delivered to customers within a post-modern context.

We argue that this context makes a basic condition that service companies face when creating sustainable relationships.

We will describe and analyse in what ways these relationships can take form to become strategically important in the long run in relation to the post-modern conditions. The study will, from this knowledge, develop services marketing and relationship marketing in relation to the post-modern conditions. The study will not create solutions for service companies, but act as a foundation for decision makers in strategic decisions and how they can act based on factors in the environment influencing them.

Further, the service sector will be studied. It is currently the largest industrial sector in western countries and, according to researchers such as Dall’Olmo, de Chernatony and Grönroos, this sector is under-researched since the majority of the research in services and relationship marketing has been on producing companies and their services offerings.³⁷ We have, further, not found studies focusing on the post-modern perspective to similar problems. We believe, it is of importance to study how service companies interact and develop the connection with their customers given factors in a post-modern perspective

³⁷ Grönroos, 2000, Dall’Olmo & de Chernatony, 2000

since it sets a structure and influences how it works and will develop in the future.

1.4 Delimitations

The post-modern perspective influences both customers and companies. The initial focus was only from the corporate perspective on these relationships. But, customers clearly influence and affect the service company and, therefore, including the customers in the study will increase and give a more extensive understanding of the post-modern context and its implications on both actors.

The study will focus on banking and financial service sectors. We are aware that all service sectors have their own specific characteristics, which means that the result of the study may not be applicable to all service sectors.

The model developed by us shows the whole process of how a service company in the post-modern society can create sustainable relationships (see figure 3-6). However, the complexity of the subject does not allow investigating the whole model in this thesis. Concepts such as trust, commitment and loyalty are individually complex and wide subjects that together cannot be researched in a single master thesis. We will therefore only concentrate on a smaller part of the model (see figure 3-7 in chapter 3) where the focus will be on how a service company develops its resources to turn into capabilities that meet the customers demands – service and relationship quality?

As mentioned in the text earlier, a distinction is made between *post-modernism* that describe the philosophies and ideas of the post-modern era, and *post-modernity*, which are the global conditions which we experience and live in.³⁸ The ideas of post-modernism will be described but the focus of the study is on the implications that we experience, i.e. post-modernity.

The word sustain means maintain or keep and therefore we define the word sustainable, and consequently a sustainable relationship, as something which will not be terminated because of its economical and social benefits for the parties involved.³⁹ Hence, the focus will be on how to develop and maintain

³⁸ www.lccs.edu , www.nationmaster.com

³⁹ The Concise Oxford Dictionary, Rao & Perry, 2002

relationships and not on how they are established or terminated. In order to have a successful relationship it must be mutually recognised by all involved parties and have the positive economical and social benefits.

Further, in this thesis we choose not to make a distinction between customer and consumer. We are aware that the person paying and the one using a service are not always the same individual, e.g. one individual signs up for a mobile phone subscription, i.e. being a customer, but another individual uses this service, i.e. being the consumer. It is then the consumer who experiences the service and thus usually selects to continue or end the usage. However, in most cases the customer and consumer of the service is the same individual and we choose to use both concepts.

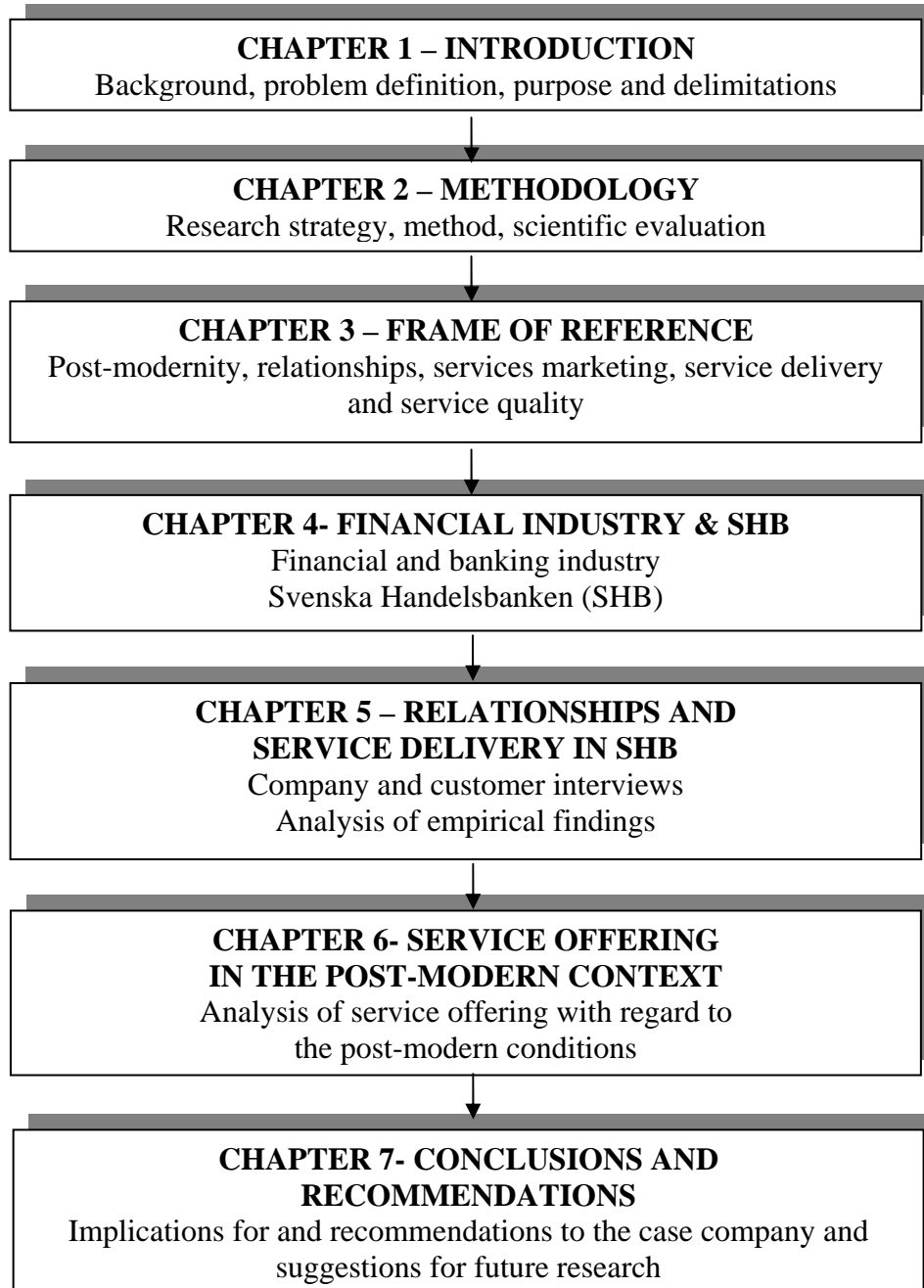
The case study will focus on the banking company Svenska Handelsbanken (SHB) in Sweden. SHB is a universal bank with several operational areas, however, the investigation will only concern the retail banking of SHB. Even though it is an international company, the perspective in this thesis will be on the Swedish market and not the other international markets.

The delimitations presented in this section concern the research problem. The methodological delimitations made regarding the thesis are presented in section 2.13.

1.5 Thesis outline

The outline of this thesis is shown graphically in Figure 1-2 presented below.

Figure 1-2 Thesis outline



Source: Authors own elaboration, 2003

The first chapter aims to describe a starting point for the reader where the background and problem discussion gives an explanation to the research area and problem. The methodological chapter explains the process of the thesis. The frame of reference discusses the research areas and investigates what the

existing theories state about our problem and the important factors to build relationships are identified. The three first chapters give a framework to investigate the industry, conduct the case study at SHB and a survey and interviews with their customers in order to test our model developed in the theory. The empirical findings are presented in chapter four and five. The analysis of the first and second sub question is also presented in chapter five. Chapter six continues the analysis of the services offering and also incorporates the post-modern context and its implications. Our conclusions and recommendations to the case company and suggestions for future research are presented in the seventh and last chapter.

1.6 Terminology

Following abbreviations and terminology will be used in this thesis:

- AMA American marketing association
- CRM Customer relationship marketing
- DbM Database marketing
- DM Direct marketing
- eCRM Electronic customer relationship marketing
- IM Internal marketing
- RM Relationship marketing
- SHB Svenska Handelsbanken
- SST Self-service technologies
- TA Technical anxiety
- TM Transactional marketing

2 METHODOLOGY

In order to ensure that our research does not wander off on its own but instead keeps a strict scientific approach, this chapter will present the methodological considerations taken by the researchers. We will also highlight issues and problems that have arisen during the case study in order to facilitate the readers understanding of our result.

When conducting research it is, as we can see in chapter one, important to clearly define what to study, i.e. what the research problem is. However, the research can be compared to a journey and only stating where to go is not sufficient. It is also important to decide how to get there. In a sense one must create a roadmap for the study. This chapter can be said to be the roadmap of this thesis. The chapter will describe how we as researchers have reasoned when coming up with our roadmap. However, our reasoning has also been put in relation to the relevant method theory. This is important since it enables us to secure that our way of work is conducted in a professional and scientific way.

When we had decided upon a main topic, the unavoidable question “how do we actually do this” slowly emerged. Consequently, we initially had to turn to the theoretical literature as well as other publications in order to deepen our understanding of the subject areas involved in our topic. This research supplied us with a sound knowledge foundation to conduct a problem discussion that would lead us to a problem definition and a research question. At the same time we set out to find the company to be investigated in order to provide us with the empirical findings for the research.

2.1 Research strategy

Seeing a method chapter as something of a road map, the first obvious question that must be asked is what means of transportation we will select to use in order to get to the end goal. When doing research, there are different means of transportation. In the literature these means of transportation are referred to as different research strategies. According to Yin, there are five different major research strategies: *experiment*, *survey*, *archival analysis*, *history* and *case study*. The differences between the different strategies lies in which types of

research questions that are used, if the strategy requires control over events and if there is a focus on contemporary events.⁴⁰

When comparing these different alternatives it became clear to us that since our problem question clearly is a “how” question this made the case study applicable. At the same time our aim was to investigate a contemporary event, in this case, a company operating in the service sector, which also made the case study strategy favourable. This is because the case study enables two aspects, the possibilities to observe as well as make interviews, which are not possible in the strategy history study, which in other senses are similar to the case study. This is not possible with history studies since it, according to Yin, deals with the dead past, that is, no one alive may report or tell what happened. The other strategies were ruled out since they are not applicable to our research problem. For example, the experiment strategy needs control over the event being studied, and the archival analysis did not offer the same broad possibility to investigate a contemporary event.⁴¹ Consequently, we selected the *case study* strategy as the means of transportation for our research.

2.2 Scientific approach

In our study we are investigating how a service company can create a sustainable relationship and how the company should deliver the service offering. It can therefore be said that we do not only seek to explore or, for that matter, describe how a company is doing this. Instead, by using the wording *how can*, we take our study deeper and try to explain how the company should act in order to create the relationship as well as deliver the service offering. The approach of explaining how something is done, rather than just exploring or describing the actions of the company, is referred to by Yin as having an explanatory scientific approach. This means that we have used the *explanatory approach* to set out to understand what cause produces a certain effect.

The two other research approaches, according to Yin, are exploratory and descriptive. An exploratory approach is used when little is known and thus problems are identified and structured in order to make suggestions for future inquiries. The descriptive approach wants to analyse and draw conclusions on

⁴⁰ Yin, 1994

⁴¹ Ibid

problems that have been previously explored; the conclusions are however not steered by generalisations or the development of a universal hypothesis.⁴²

2.3 Case design

However, one cannot settle down after only selecting the means of travel to use through our research. It is now time to design the selected strategy to further fit the needs for our research. We first decided to only conduct one single case. We argue that even though the usage of more than one case, referred to as multiple case design by Yin, offers advantages such as being more compelling and robust, our single case design is justified given that our resources, mainly ourselves as researchers, as well as the timeframe did not allow a multiple case design. Further, we also decided to have one single unit of analysis in our case study. As such we would investigate one company rather than trying to study several departments, geographical areas or other subunits or for that matter companies. Such an approach, when only having one single unit of analysis, of a case study is called a holistic case study approach.⁴³ We argue that this combination of a single *case study design* and a *holistic approach* was the optimal choice for us given that the study was conducted within a limited time frame and that our resources, in terms of being only two researchers, were limited.

2.4 Case company selection

When setting out to find a case company suitable for our research we started by contacting several service companies that were applicable to our case, in service sectors such as financial, hospitality and mobile telecom. Both companies operating in Sweden and in other countries were approached. However, due to the current financial climate most of the companies did reply that they were not able to commit to our research for economical reasons. Nevertheless, deeper contacts were made with Radisson SAS in Belgium. However, after having discussed our study with Radisson SAS during the summer the company decided, in mid September, not to take part in our study. We then started a new search for a case company within the initial sectors that would be applicable to our study and during this search we came into contact with Handelsbanken. After a visit to their head office in Stockholm,

⁴² Yin, 1994

⁴³ Ibid

Handelsbanken proved to be very positive and interested in the project. In early October they agreed to become our case company. The knowledge about Handelsbanken prior the meeting in Stockholm was limited to knowing that it was a Swedish bank. The case company felt it was interesting that we had no initial view of the company and thought it might offer interesting conclusions.

2.5 Theory development

Yin states that a misperception of case studies is that developing a theory before starting the data collection is less important. This is not true, the theory development as a part of the design phase is essential for case studies. For example, existing works may be able to provide a rich theoretical framework that further enables the design of a specific case study. In order to develop this framework it is vital to prepare by reviewing the literature related to the topic. In our case, we set out to review articles in scholar journals and other magazines, books and other literature that covered the areas of post-modernism, relationships, relationship quality, relationship marketing, resources and capabilities, services, service quality and services marketing. This enabled us to develop a model on how a service company can create sustainable relationships in the post-modern context. Yin also stresses the fact that the previously developed theory should be seen as a template, which is used to compare the empirical findings of the study. This is called analytic generalisation. This can be compared to the statistical generalisation, which is not applicable since a case is not a sample unit and thus it does not represent a generalised sample of something, but rather a specific item.⁴⁴

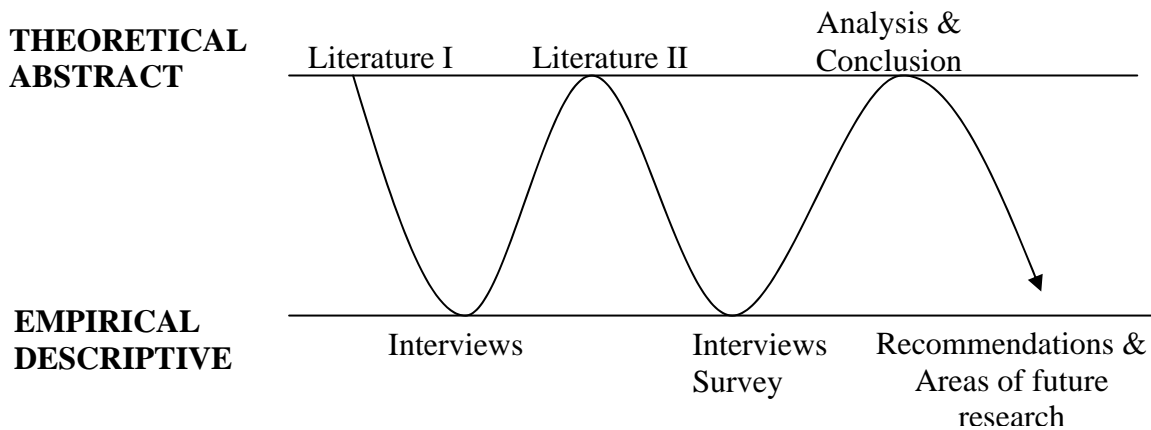
2.6 Research procedure

A research procedure can be either, inductive, deductive or abductive. The difference lies within the reasoning of the research. When having a deductive approach the research starts at a theoretical level from which a hypothesis is formed. This hypothesis is then tested on the empirical level. The inductive approach is the other way around, in this case data and information is gathered at the empirical level, which is then generalised in order to develop theory. The abductive approach is a combination where the researchers alter between the empirical and theoretical level as well as the inductive and deductive

⁴⁴ Yin, 1994

approach.⁴⁵ In our case we, have taken the *deductive* approach by first working on a theoretical level and going through the research towards the empirical level. Our research procedure can be further described as a journey between a theoretical and empirical level. This journey is described in figure 2-1 below.

Figure 2-1 Research procedure



Source: adopted from seminar 2003-04-23

As can be seen, we set out from a theoretical perspective where we developed a model (Literature 1) corresponding to the literature research and the study's initial company focus. After interviews with employees at the company, stating their need for customer's opinions, as well as further literature research, it was evident that our initial model was insufficient. We therefore returned to the theoretical level in order to conduct further literature research. This then enabled us to develop our second model (Literature 2). When this model was developed we were then again able to return to the empirical level and conduct a quantitative customer survey and additional interviews. The data collected, both from interviews and the customer survey, could then be analysed in order to draw conclusions that could support our recommendations to the company as well as recommendations for future research. However, as stated previously, the customer survey has not been included in the result and reasons for this will be explained in section 2.14

⁴⁵ Yin, 1994, Lekvall & Wahlbin, 1993

2.7 Research method

When having established the case design, which company to use as a case, as well as our research procedure, we now selected which research method to use. When collecting data one can either use a quantitative or a qualitative research method or both. When using a quantitative research method the collected data is measured in numbers and can thus be analysed in a quantitative manner. Examples of things that can be measured and analysed by quantitative research are age, population and economical figures.⁴⁶

When doing qualitative research, the data collected and analysed is hard or not possible to translate into numbers. The qualitative research method is often connected to the case-study strategy. It is most often less pre-structured than the quantitative method. This is because of the fact that the method is often used to explain a phenomenon rather than to find data that matches an existing theory. Therefore, it is less possible to establish beforehand what to be found. Thus, an understanding of attitudes feelings and motives, formed from words rather than from numbers, are preferable. This can be done through interviews with open ended questions, which enable the persons interviewed to answer in a broad way.⁴⁷

In our case we have used both of the abovementioned methods. The interviews that were be conducted can be said to be applicable to the qualitative research method. Our customer survey was developed to qualify as both quantitative and qualitative in its research method, but was however not used in the result.

2.8 Data collection

The collection of data in a research can be divided into two sub groups, *primary* and *secondary* data. The researcher collects the primary data themselves and the secondary data is data which has already been collected by someone else. It is important to remember that the usage of one type of data does not in any way exclude the usage of the other.⁴⁸

⁴⁶ Lekvall & Wahlbin, 1993

⁴⁷ Ibid

⁴⁸ Ibid

2.8.1 Primary data collection

As mentioned above, primary data is collected by the researcher themselves in order to solve a specific problem. According to Lekvall and Wahlbin, this method is often connected to observations and questions. Observations enable the researchers to study the specific event. Observations do however have certain limits, one can only observe behaviour and not find out values, knowledge or views. It is also only possible to study what is taking place at the moment, and not past or future events. Questions that can be used by conducting various interviews, such as telephone, mail, letter and face to face, offer the advantage to be able to research the interviews knowledge views and values on a specific matter.⁴⁹

In this case study, we have selected to use the questions approach when collecting primary data since mere observations wouldn't be sufficient to provide information about our research problem. The questions provided are presented in Appendix 1. We use a number of interviews to obtain the primary data needed. These have been conducted by e-mail and in person. The thirteen persons interviewed are described in the list of reference. The interviews with the ten employees were conducted at the central head office in Stockholm and the Western Sweden Regional Bank in Gothenburg, as well as at two local offices in the western region of Handelsbanken. The three customers were interviewed in the researchers home or the premises of the university. The advantage of being able to conduct face to face interviews, such as done by us, is that there are very few limitations on which questions that can be asked. The researchers choose to have open-ended questions, which allowed the interviews to discuss freely around the subject. The face-to-face interview also gave the researchers the possibility to be flexible and open to new directions that the interview might take compared to the initial planned questions, as well as read the emotions of the interviewees when the questions are asked. Further, primary data was also collected by using a quantitative customer survey, but the final result was not used in the thesis due to low response. See section 2.14 for further information regarding the customer survey.

⁴⁹ Lekvall & Wahlbin, 1993

2.8.2 Secondary data collection

As stated earlier, secondary data consist of information that has already been gathered for purposes other than the research problem. This data can be external and internal. The external data comes from sources such as literature, articles, the Internet, etc. The internal data comes from within the organisation such as annual reports, statistical reports, etc.⁵⁰ In our case, the secondary empirical data that is connected to case company and its industry has been obtained from the company's annual report, and other various publications such as financial and banking magazines and industry information provided online by e.g. the Swedish Banking Association.

2.9 Analysis

The empirical findings from the personal interviews as well as secondary sources will in this study be analysed through comparison with the theoretical framework and the model developed by the researchers, both presented in chapter three. The framework for analysis will be further described in chapter five.

2.10 Sources of error

There are several sources of error that might lead to reduced quality in research. In our research the main source of error as we foresee is company confidentiality. If the company selects to withhold information based on confidentiality, there is little the researchers can do in order to obtain it. If this information proves to be vital for the study, this might affect the quality of the study.

Another matter that also may act as a source of error in the study is the access to respondents. It is important to gain access to a broad spectrum of personnel within the company ranging from individuals employed at strategic to operational levels. In terms of the relation with the case company, the researchers have, in order to minimise the risk of errors, stressed for the company the importance of having an open relation with as little restriction in access to personnel and information as possible. The researchers further proposed the possibility to sign confidentiality agreements with the company in order to reduce the risk of restriction in access to information.

⁵⁰ Lekvall & Wahlbin, 19930020

Further, misperceptions when conducting interviews might act negatively on the quality of the research. The researchers have however tried to avoid this by taking notes as well as using tape recorders; the interview was then printed and sent back to the interviewee for proofreading.

There is also a possibility that errors that affect the study will occur due to errors that exist in secondary sources and are unknown to the researchers. This is extremely important in the case of Internet sources since anyone is allowed to publish material on the Internet. In order to minimise this possibility, all secondary sources have been carefully examined and only well known sources with a good reputation have been selected.

2.11 Evaluation

Even though a lot of time and thought is put into the design of the case study and the research it is vital to evaluate whether the research produces results are valid and reliable. Consequently, one must always ask questions such as ‘Are we measuring the correct things?’ Yin identifies four tests that can be used to ensure that a case study is scientifically correct. These are *construct validity*, *internal validity*, *external validity* and *reliability*.⁵¹ The validity will also be further discussed in section 2.12.

2.11.1 Construct validity

Construct validity measures whether the researchers have developed the operational measures that are correct to use for the concepts that are being studied. This obviously has to be considered when constructing the case. The operational measure of this case study, which is derived from our development of theory, is based on a large amount of published research conducted by a broad range of authors. By comparing the research our own conclusions were drawn and motivated. We therefore argue that the construct validity in this case is fulfilled.⁵²

⁵¹ Yin, 1994

⁵² Ibid

2.11.2 Internal validity

Internal validity measures if the connections argued by the researchers, e.g. if *(a)* happens then this leads to *(b)*, are occurring. If this is argued by the researchers without them knowing that event *(c)* also makes event *(b)* occur, then the internal validity is low. In case studies the internal validity is also connected to making assumptions. Assumptions cannot be avoided when doing research, however they must be based on a sufficient number of valid sources.⁵³

In order to secure the internal validity of our research we have conducted an extensive literature research. When doing this research we have compared the findings from different sources and made sure to investigate as many different views as possible. By doing this we argue that when developing our model we have taken different possibilities into consideration and ensuring that our eventual assumptions are correct and based on a sound theoretical framework. Consequently, we feel that the internal validity is high and that our eventual assumptions are correct

2.11.3 External validity

The external validity seeks to establish a domain in which it is possible to generalise the findings of the study. For example, can the findings regarding a little bank in a small town be generalised and thus be applicable to banks all over Sweden? Yin reminds us in his book that it is possible to generalise findings of a case study even though the case isn't viewed as a sample which may be statistical generalised. Instead, case studies rely on analytical generalisations where the result is generalised, not in order to fit a certain domain, but to fit to a broader set of theories.⁵⁴ Our case, may well give an indication on how our research problem is dealt with in banks, however in order to generalise the result further and offer a true picture of how banks in general solve our problem several more case studies must be conducted and compared.

2.11.4 Reliability

The reliability is determined on the basis of if the study is replicable and thus gives the same result. That is, if some other researchers do the same case study

⁵³ Yin, 1994

⁵⁴ Ibid

once more, they will come to same findings and conclusions as the researchers. This can be ensured by having a high degree of documentation throughout the research and always thinking in terms of ‘can I motivate why I’m doing this instead of that’.⁵⁵ By basing our research on well-known secondary sources, as well as having made every step of the research as operational as possible, with documentation etc, we feel that the reliability is sufficient. Another factor that we feel have contributed to reliability to our case are our discussions with fellow researchers, which have forced us to always, argue for our actions.

2.12 Critical review

When having conducted a study like this we feel that it is important to look back and critically reflect on whether there are any aspects of the study that could have been done in a different way. This review applies both to the choices and actions of the researchers as well as external factors such as the case company.

Initially, even though we recognise the limits in terms of time and resources, we feel that it would have been beneficial for the study if two banking companies could have been studied in order to further be able to make sound analytical generalisations about the industry.

Further, we feel that we could have realised the importance of the customers’ opinion at an earlier stage. This would have enabled us to plan, develop and conduct the customer interviews earlier and, thus, reduced the additional work that occurred in the middle of the research process.

After conducting the first interviews with both employees and customers, it was evident that some questions that first were thought to be important turned out to be not as relevant as initially anticipated. These questions could be said to have reduced the validity of the study. We do however feel that this is a part of the learning and research process, which is hard to exclude.

Initially, all the employees interviewed were employed on either a regional or central level and it was only in the end of the research process that we were able to interview employees at the local office level. We feel that being allowed

⁵⁵ Yin, 1994

to interview these employees earlier would have enabled us to identify certain aspects in the relationship better and thus, been able to incorporate this understanding earlier. Consequently, we feel that we should have indicated and communicated the importance of these employees to the bank in a clearer and more direct way.

Each interview with employees has been prepared by contacting the interviewee and explaining the study and the subjects to be discussed in order to prepare the interviewee's understanding. On one occasion the actual questions to be asked were sent to the employees in advance in order to reduce the actual time spent in the interview because of the employees' restricted time frame. This proved to have the time reducing effect sought for. However, it also resulted in two interviewees providing very similar answers. Hence, they can be suspected of discussing the questions with each other before the interviews in order to provide the answers that were perceived by them to be correct. This could arguably reduce the validity of the study, but since the opinions of these interviewees were confirmed by other interviews the effects on validity can be said to be minimal.

In order to be able to evaluate the selected case company, there is a need for openness between the researchers and the company in terms of the information supplied as any restrictions in providing information might affect the study in a negative way. In order to reduce the risk of restrictions, the researchers informed the bank of the possibilities to classify the thesis for one year and asked for, and were allowed to, sign confidential agreements. During the research there have however been occasions when the bank has not been able to provide the information wanted because they felt that it would expose competitive business secrets.

Further, there have been occasion when the company has not been able to arrange for interviews with, for example, managers at a strategic level. These interviews were arguably important for the researchers' understanding of the relationship between the bank and the customers. This could have reduced the possibilities to analyse all aspects of the relationship.

When conducting a quantitative customer survey it is important to receive a number of responses that enable the possibility to see accurate indications on

the customers' opinions. One of the reasons for including the customer survey into the study was a promise of receiving 40 customers from SHB that would answer our questionnaire. However, when we contacted these customers only a few were informed by the bank and thus, there was a reduction in the number of answers.

Further, by using the promised customers for the customer survey rather than using a random selection, for example outside a bank office, the researchers saw the possibility to save time. However, the customers' contact information was delayed from the bank which affected the projects timeframe.

2.13 Methodological delimitations

Given the complexity of our main research problem, we initially decided to delimit ourselves in our research in order to be able to conduct research that corresponds to our given resources and timeframe. Consequently, we delimited the scope of the quality to discuss the perception and demands of quality in terms of only the indirect interactions, where technology is used as main channel of interaction. Hence, limitations were done in the customer survey. It was selected to only measure service quality in the technology, i.e. the banks Internet service and the service Datasvar, rather than the service quality in the whole bank. However, due to problems on the way, explained in section 2.14, this methodological delimitation in terms of quality in the indirect interaction and customer survey were abolished, and service quality was researched in terms of all aspects of the bank.

2.14 Customer survey

Even though the quantitative customer survey has not been included into the result, we feel that it is important to show the methodology and the non-respondent analysis. The questionnaire is presented in Appendix 2. The customer survey was conducted to increase the knowledge of the perceived service quality in the indirect communication channel between the customers and Handelsbanken. The questionnaire was constructed by using the Grönroos model "The seven good criteria of good perceived service quality". In addition to Grönroos' model, other important theoretical aspects that are of relevance in order to answer the research problem, covering the area of technology and post-modernism, were also taken into consideration. In terms of post-modernism, we decided to incorporate aspects such whether the customer

wants to have an indirect or direct relation with the bank and if the customer feels that the service is provided in a way that he/she as an individual wants it to be.

The selection of which customers to include was discussed together with the case company. The customers in the survey were based on random selection between two groups:

1. Anonymous and that almost exclusively use the Internet service
2. Clear personal relation with the office, but use the Internet service to conduct their current business.

Two local branch offices in Western Sweden provided us with the 36 customers. But due to low frequency of answers four customers were found among colleagues and friends.

The questions and statements were, as mentioned earlier, formulated out of the theoretical framework⁵⁶ in order to be able to answer the main problem and sub problem. The questionnaire was divided into four main sections with 15 questions. The first part (6-7) asked questions with regard to what services that are used, what services the customers would like to use and how important they are for them. The second part (8) focused on Handelsbanken as a company. Several statements were made and the customers had to answer how well these correspond to Handelsbanken and how important they are for them as customers. In the next part of the survey (9-10), statements were made about the two indirect channels, the Internet and telephone. Here the customers also had to answer how well these correspond and of which importance they are for them. In the last part (11-15), the questions were of a qualitative open-ended nature where the customers were supposed to give their own opinion about their view on personal and indirect relationships with Handelsbanken. The last question gave room for the respondent to comment on the bank in general and give us comments.

⁵⁶ The initial theoretical framework also included the Importance/Satisfaction model of service quality developed by Yang. Therefore the questionnaire was measuring both performance and importance. However, due to reasons that will be explained in section 2.14.1 non-respondent analysis, this I/S model was not included in the theoretical framework and hence not used in the result.

The benefit of using the open-ended questions is that the recipients are not governed by set alternatives when sharing their knowledge and opinions. In service quality the view of the customer is of most great importance since quality is what the customer perceives it to be and nothing else.

Before the survey was sent to the customers it was given to a test group of 6 people to see if there would be any deviation or other errors in the questions and responses. The test group gave comments regarding both the wording of the questions to make it even more clear as well as additional questions. Changes corresponding to the views of the test group were then made in the survey.

The survey was conducted as an e-mail survey due to lack of time to send a survey by postal mail. Also, since the survey was about the use of Internet, an assumption was made that the customers would have basic computer skills in order to be able to use the Internet service of SHB and hence, would know how to receive an attached file, answer the questions and send the file back to us.

Initially the customers were contacted by phone and asked to participate. An explanation about the survey and instructions were given by phone as well as in the e-mail and first page of the questionnaire. In connection to all questions, instructions were given about how to answer the questions. All respondents that have answered the questionnaire have received a scratch card worth 25 SEK (Trisslott) for participation. Even if it is a possibility to win a larger amount of money on the lottery we, and employees at SHB, do not feel that this gift would have affected the result of the survey, but instead acted as a sign of gratitude.

2.14.1 Non-respondent analysis

When conducting surveys respondents can choose to not answer the survey at all or only answer a certain amount of questions. There is a difference between external and internal non-responses.

External non-responses are when the respondents do not answer the questionnaire at all, regardless of reminders sent from the researchers conducting it. If there is a too large non-response in any of the groups selected, the statistical result can be affected since these groups then will be under represented and comparisons will be hard to make. Internal non-responses

occur when some questions in the questionnaire are not answered. Reasons could be that the respondent does not wish to or cannot reply to some questions. If alternatives are missing or the instructions are inadequate the latter reason is likely to occur.⁵⁷

In almost any survey external and internal non-responses occur. A non-respondent analysis means that the non-respondents are analysed and an assessment is made how this group's answer could have affected the result of the survey.⁵⁸ Since SHB provided us with only names of customers, we did not manage to find all customers phone numbers in the phone directory. Out of 36 customers we made contact with the thirteen people that wished to take part in the survey. After first contact we received seven answers and realised there would be a low frequency of answers. We therefore accepted the offer from friends who are SHB customers to take part in the survey. A reminder was sent by e-mail as well as a second call. After the second conversation, six promised to answer since they had forgotten the first time. However, no new responses came. Table 2-1 shows detailed information of the reasons why non-respondents have not taken part. The frequency of non-respondents was after the first call 63% ($23/36 \times 100$). The final result with seven answers shows that the non-respondents frequency was 80.5% ($29/36 \times 100$). If our customers are included, the frequency is 72.5% ($29/40 \times 100$).

Table 2-1 Non-respondent analysis customer survey

	SHB	own
Promised customers from SHB	40	0
Amount of customers selected	36	4
Non-respondents	29	0
No phone number	8	
Wrong number	1	
Claim to not be a customer	1	
No approval from SHB to make contact	4	
Does not wish to take part	7	
Cannot due to lack of time	3	
Not available	1	
Promised to answer, but did not	4	
Total respondents	7	4

Source: Authors' own, 2003

⁵⁷ Svenning in Ohlsson, Pantzar & Samuelsson, 2003

⁵⁸ Andersson in Ohlsson, Pantzar & Samuelsson, 2003

Since we do not know anything of the chosen population of customers, it is difficult to say exactly how their answers would have affected the result. However, one very obvious thing is that we would have been able to draw more general conclusions on all the customers as well as between the two different groups if the amount of customers would have been larger. One of the respondents commented that the survey was extensive and detailed. Lack of time and complex survey questions could have been reasons that customers chose to not reply. Even if we had pointed out the benefits that SHB would be able to improve their relationship, the subject of the survey might not have been of interest for the respondent.

Further, the limited numbers of answers as well as low number of complete questionnaires that were received from the customers enables no statistical analysis. Instead, if the survey is used, it can only be used as an indication of the service quality in the banks Internet service and Datasvar, as well as, the importance the customers give each aspect of quality. Therefore, we have decided that the questionnaire will not be included in the thesis since it is believed that it does not provide any help to solve the research problem.

3 FRAME OF REFERENCE

The theoretical part consists of several aspects of our research problem. First, post-modernism and its consequences will be investigated in order to understand its impact on services and relationships. Services marketing, relationship marketing, resource based view, service delivery and service quality are the main areas within the theory that will serve as a base for identifying the relevant factors creating sustainable relationships in services.

3.1 Post-modernism

Post-modernism can be described as the rejection of the ideas and ideals that emerged from the modernity, which was developed during the 17-19th centuries. During this period modernity tried to liberate the humankind from ignorance and myths by using reason and rational order. In other words, modernity tried to improve human life by taking away myths and thus creating a reality that was fundamental and fixed by using science and technology. Post-modernity, on the other hand, claims that reality is what is experienced, since the views of the individual, self and structure are subjective and hence can not be governed by exact laws or rules. These views should thus be allowed and respected since they in fact are different realities.⁵⁹ The term post-modern was first used in the 1960's and has since then spread and can be found in art, architecture and literature. When discussing post-modernity in marketing it is important to understand that post-modern marketing does not exist. Instead, marketing should be viewed in a post-modern context. Post-modernity has been widely discussed in research and several conditions of post-modernity are recognised within the different fields.⁶⁰

3.1.1 The conditions of postmodernism

Although several different conditions of post-modernism are recognised there are six basic conditions that are common and get the most attention. These different conditions will now be presented in table 3-1, and their implications and consequences for services will then be discussed.

⁵⁹ Firat et al, 1995, Firat, 1991, Cova, 1996

⁶⁰ Firat, 1991, Cova, 1996

Table 3-1 The conditions of postmodernism

Hyper-reality	In the post-modern era it is argued that reality has collapsed and that the individual now meets a hyper-reality, which is a simulation of the reality that not only contains our physical surroundings but also the experience within it. These hyper-realities can often be seen in consumption experiences. The product has certain basic and useful functions which are taken for granted. It is the consumption of products or services symbolic and their value that is sought for. ⁶¹
Fragmentation	Fragmentation can be described as things, being increasingly disconnected from each other. Today it is rarely seen that things are put into their context or historical presence. Instead the individual in the post-modern society meets a large number of communication fragments. ⁶²
The reversal of production and consumption	In post-modernity it is understood that the value is no longer created in production but in consumption. It is when consuming a product or a service that the customer creates the value. Again, it can be observed that the customer does not only consume the product or service, but also consumes the experience and the symbolic value of the product or service. Thus, there is much more value in a product or service than its basic functions and this value can only be created by consuming it. ⁶³
The decentring of the subject.	When looking at the modern perspective, the human being (the subject) was in focus and thus the product or service was the object. In the post-modern context, the subject has been decentralised. Hence the object and the subject interact in order to create value. ⁶⁴
Juxtapositions of opposites.	Modernity did emphasize continuity and conformity. In Post-modernity, on the other hand, individuals are promoting different images in different situations/moments. These different images can sometimes prove to be contradicting to each other. ⁶⁵
Loss of commitment	Facing the failure of modernity to cope and live up to its promises of creating a stable and true environment, the post modern individual expresses a loss of commitment towards large projects. In line with the juxtapositions and the fragmentation the individual takes on several projects, sometimes contradicting ones. The individual also tends to have a short time of commitment. ⁶⁶
Emphasis on form and style	In the post-modern society it is argued that the surface now has more importance than depth and substance. Of course, a product or a service must have its basic appealing functions, however, it is the surface and appearance that is important, as compared to the interior and substance. It is the appearance that enables the consumer to promote his or her self-image to others. ⁶⁷

⁶¹ Cova, 1996

⁶² . Firat, 1991, Cova, 1996

⁶³ Cova, 1996

⁶⁴ Firat, 1991

⁶⁵ Firat et al, 1995

⁶⁶ Firat, 1991, Cova, 1996

⁶⁷ Cova, 1996, Firat & Shultz II, 1997

The loss of commitment also implicates that the consumers, loyalty to brands and corporations are unstable, therefore the product or service must constantly be developed to fit the consumer's needs and wants. This can be both in terms of functions as well as package, design and brand.⁶⁸ It is also important to acknowledge the fact that it is the customer who creates meaning for goods or services experienced and therefore the producer can only partially control the intended image and function of the product or service.⁶⁹

In the post-modern environment the customer does not only consume the functions of the product or service. Instead, the customer also consumes the image and symbolic meaning of the product or the service. As mentioned before, the value of the product or service is created when the customer consumes it. The customer also takes an increasing role in consumption and selection of it, and can thus be said to be the customising consumer. This means that the customers select their own mix of market offers and create their own individualised experience out of it. Thus, the customer cannot only be seen as fulfilling his or her basic requirements, enabled by the product or service, but also someone who's creating images and experiences. In other words, the customer is in charge of creating its self-image and will themselves select products and services that promote this image.⁷⁰

3.1.2 Consequences for services marketing in the post-modern environment

Because of the conditions described above, the marketer in the post-modern environment cannot see the market as made up of a homogenous mass of individuals or a homogenous segment of individuals. Instead, due to the customising customers, the market or the market segments are breaking up into individuals. Consequently, any attempt to see the customer as someone who acts in consistent stable way, and then trying to segment the market accordingly, is likely to lead to marketing failures.⁷¹ Instead the marketer must turn to the needs and wants of the individual customers, and in a sense first

⁶⁸ Firat et al, 1995

⁶⁹ Cova, 1996

⁷⁰ Ibid

⁷¹ Firat & Shultz II, 1997

understand, and then help the customer to promote his/hers desired self image as well as the desired experience, through the product or service.⁷²

The marketer must also understand and adapt to changes in the market and the needs and wants of the customer. For example, customers might not use products in a way that was at all intended by a company. In the context of post-modernity consumption and production are undividable, in the sense that the values sought for by the contemporary customer are created when using the product/service. It is when consuming that the value is produced, and thus marketers must see customers as a part of the organisation. As an example, one can imagine a website that supplies music, which the customer can listen to directly from the Internet. It is however the customer who selects what songs to listen to and in which order, and thus actually produces the experience.⁷³

Consequently in the post-modern context “...the principal aim [of marketing] seems to be to build, develop and maintain a relationship with the customer as an individual, rather than bombard a market made up of a anonymous mass broken up into homogenous segments.”⁷⁴ The quote indicated that both producing and services companies in the post-modern context should offer their package through a relational approach rather than through transactional exchanges.

3.2 The service sector

Over the years several attempts have been made to make a definition of services. Most of the definitions have focused on the exchange of something that is not tangible. In 1990, Grönroos suggested a definition of services

““ A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.””⁷⁵

There is a split between the researchers on what criteria to use when defining service. Many have focused on pointing at the difference between services and

⁷² Cova, 1996

⁷³ Firat & Shultz II, 1997, Cova, 1996

⁷⁴ Cova, 1996, p.21

⁷⁵ Grönroos, 2000, p.46

goods or limited the definitions to incorporate firms in specific service sectors.⁷⁶ It is out of our scope to decide on an ultimate definition of services, but we argue that Grönroos, definition above incorporates the essential factors that services is a process as well as pointing at the fact that technologies and indirect interactions are also important.

The service industry has been and is still growing considerably in the world, especially in the western countries, where the services account for 60-70% of total GDP.⁷⁷ The service sector can be described as varied. The size and fields in which the service organisations operate are multiple, from local firms such as taxis, lawyers and hotels to national and international firms offering banking, telecommunication, fast food and transportation (freight as well as personal). Governments also offer services, e.g. education and medical care, but the extent of the offering is dependent on political values of the government and the traditions in the country. There also exists a “hidden” sector of services. Many companies that are classified as manufacturing offer “internal services” such as financial, legal and administrative activities to both the own organisation and other external customers, e.g. Volvo Business Services within the Volvo Group.⁷⁸ When discussing services in terms of marketing, it can be looked upon in two different ways: either to describe service firms (service industry) where the core offering is intangible or services in customer service.⁷⁹

Due to the changes in society and the economy, a paradox in marketing exists: manufacturers promote the intangible elements of their offering while service companies frequently look to create tangible features such as physical evidence to establish their credibility. Examples of this are consultancy firms that use an impressive façade or branding of clothes indicating lifestyles.⁸⁰ Both services and goods have tangible and intangible elements.

⁷⁶ Grönroos, 2000. Grove et al, 2003

⁷⁷ www.landguiden.se , www.eu2001.se

⁷⁸ Lovelock, 1996, Authors own work experience

⁷⁹ Egan, 2001

⁸⁰ Egan p120. Grove, Carlson & Dorch, 2002

Shostack has developed a spectrum of the dominance of tangible vs. intangible elements in goods and services, shown in figure 3-1.

Figure 3-1 Dominance of tangible vs intangible elements in goods and services

TANGIBLE DOMINANT				INTANGIBLE DOMINANT		
Salt	VCR	Furniture rental	Fast food	Made to measure clothing	Airline flight	Investment management

Source: Adapted from Shostack in Lovelock, 1996

An example from this figure is a fast food company. They use tangible elements such as groceries and turn them into cooked food. In this sense, the service is that the consumer does not need to prepare the food himself, but instead the outcome of the service is a physical product.

3.2.1 The consumption of services

It is important to consider within services management and services marketing that consumption of goods and services is different in the sense that the *outcome* of goods are consumed while in services the *process* is consumed. It is the service process that leads to an outcome to the customer. Hence the service experience is a crucial part of the consumption of the service process, which has already been proposed in the discussion about the post-modern context and the trends in society.⁸¹ The relationship between production, consumption and marketing looks different for services and products. When the nature of consumption is outcome related, the marketing acts like a bridge linking the two processes that are occurring separately. In the process consumption, production and consumption occur at the same time with the actors interacting and hence no bridging marketing department or function is needed.

⁸¹ Grönroos, 2000

This is the core of services marketing – the marketing needs to be incorporated into the whole system as stated in the following quote:

“The heart of marketing services is how the service (production) process and service consumption process match each other, so that consumers and users perceive good service quality and value, and are willing to continue the relationship with the service provider.”⁸²

For the long-term success of a service organisation, it needs to maintain a customer-orientation within the service process and focus the activities of the marketers to perform marketing research and to attract potential customers to the organisation.⁸³ As described earlier in this chapter, given the post-modern context, this knowledge about the needs and wants of the customer have gained even more importance. Therefore, we argue that it is no longer only because of the characteristics of services, but also because of the characteristics of the customer that the customer orientation is needed.

Given the fact that production and consumption are both a process and not an outcome in services, and that they are inseparable, the relationship orientation is clearly visible. But what exactly does a relationship mean and how does the role change due to the post-modern conditions?

3.3 Relationships

3.3.1 What is a relationship?

When exploring the literature concerning relationships and relationship marketing, one notices that there is more disagreement than agreement. Several definitions are offered as well as criticised.⁸⁴ The large focus on creating relationships between companies and their customers in this century are driven on the notion of survival and profitability for the company (retention economies) where strengthening the relationship to existing customers gives greater profits than acquiring new.⁸⁵ However, relationships are most often examined from the company's point of view and not the customers, which influence the actions of both the company and the customer.⁸⁶

⁸² Grönroos, 2000, p.52-53

⁸³ Grönroos, 2000

⁸⁴ Egan, 2001. Grönroos, 2000. Arnerup-Cooper & Edvardsson

⁸⁵ Egan, 2001

⁸⁶ Fournier, 1998. Barnes & Howlett, 1998

A relationship exchange can be defined as something that has duration over longer time than a single transactional exchange. A relationship exchange “...involves multiple linked exchanges extending over time and usually involves both economic and social bonds... [whereas a]... transactional exchange involves a single, short time exchange with a distinct beginning and ending”⁸⁷

Relationships should, however, not only be defined based on time. In their research, based on social psychology and relationship marketing literature, Barnes and Howlett argue that a relationship cannot exist if two basic characteristics are not present in the exchange. Firstly, the relationship has to be mutually recognised to exist by both participants and secondly, a relationship is more than occasional exchanges indicating that a special status exists, known by both parties.⁸⁸

We agree with these statements. As indicated in the definition of RM in the background, the mutual interest of all parties must be met. If the customer does not recognise that a true relationship exists, the companies are not using their resources in the most efficient way for any of the involved actors.

3.3.2 Relationship drivers

Relationships are not something that are limited to being one fixed state, instead relationships can be said to be growing or evolving over time. There are several different ways of describing how a relationship evolves; yet these can all be put into either of the two following classifications.⁸⁹

Stages theory argues that a relationship goes through different stages where the resource-commitment and the inter-dependence are increased. This theory is largely affected by the life-cycle models where the stages are birth, development, growth, maturity, decline and demise. This approach has however been criticised since it is argued that relationships do not evolve in an exact order as proposed. It is also debated whether this theory is sufficient to explain what happens in the transition from one stage to another.⁹⁰

⁸⁷ Rao & Perry, 2002, p.599

⁸⁸ Barnes & Howlett, 1998

⁸⁹ Rao & Perry, 2002

⁹⁰ Ibid

The *states theory*, on the other hand, declares that a relationship does not evolve in the structured manner that the stages theory argues. Instead a relationship is much more complex and thus exists and evolves in different states. This process is not dependent on a set of conditions but rather develops through the circumstances and opportunities at a certain point in time. The different states that a relationship can occur in are initiation, establishment, development, maintenance, dormant and termination.⁹¹ The focus in this thesis is the states of development and maintenance of relationships, since the problem question is how service firms can create sustainable relationships. We believe that, given the post-modern context, the states theory is more correct to use since the contemporary customers, with their lack of commitment, will be increasingly harder to fit into any given stage of a relationship.

There are several different drivers that promote the usage of relationships, which are displayed in table 3-2 below:

Table 3-2 Drivers promoting relational strategies and drivers against

Drivers promoting	Drivers against
<ul style="list-style-type: none"> ▪ High acquisitions costs relative to retention costs ▪ High exit barriers ▪ Competitive advantage sustainable ▪ Buoyant/expanding market ▪ High risk products or services ▪ High emotion involved in exchange ▪ Perceived need for closeness ▪ Requirement for trust and commitment ▪ Satisfaction beneficial to retention 	<ul style="list-style-type: none"> ▪ Acquisitions/retention cost differential minimal ▪ Low exit barriers ▪ Competitive advantage unsustainable ▪ Saturated market ▪ Low risk products or services ▪ Low emotion involved in exchange ▪ No perceived need for closeness ▪ Requirement for trust only ▪ Repeat behaviour strategy beneficial

Source: Egan p. 89

As can be understood from the table above, there are occasions when personal relationships are not the best strategy to use. Instead, other impersonal relationships are more accurate and beneficial. In situations where customers feel low risk and low emotional attachment, efforts promoting personal relationship might incur unnecessary cost for a company since customers have a low degree of commitment. Instead impersonal relationship builders such as technological solutions and brands can be used by the company to increase the

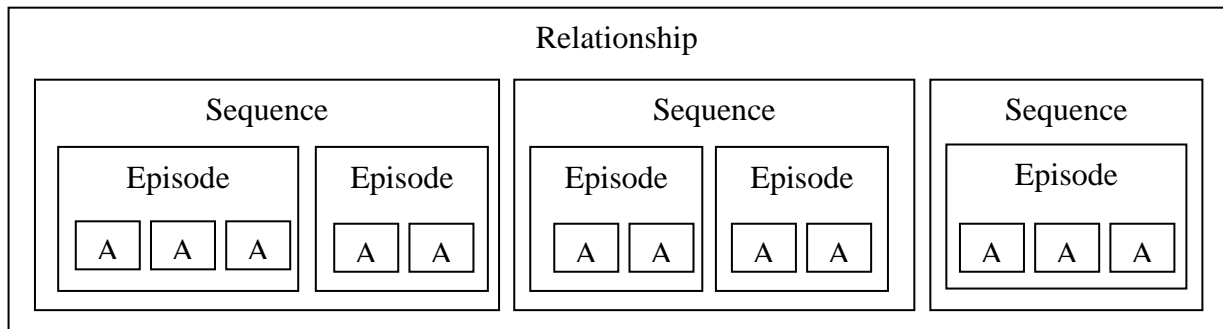
⁹¹ Rao & Perry, 2002, www.mcgraw-hill.com

loyalty in customers without risking the high cost of personal relational strategies

3.3.3 Relationship quality

Relationship quality can be described as the “...degree of appropriateness of a relationship to fulfil the needs of the customer associated with the relationship”⁹². Grönroos argues that relationship quality is the aggregated perception of several service interactions. He bases his argument on the perceived quality in business relationships model by Holmlund, shown in figure 3-2. In the model she states that a relationship consists of acts (A), which form episodes. These episodes form a sequence that constitutes a part of the relationship. Each part of the model also has an effect on future interactions.⁹³

Figure 3-2 A relationship framework: interaction levels in a relationship



Source: Adapted from Grönroos, 2000, p.83

The different acts together form the relationship. One of the acts can be performed without achieving top quality without the whole relationship being affected negatively. Grönroos further states that the service performance will have an effect on whether the customer will engage in repeat purchases. However, he argues that the customer must not only be satisfied, but instead very satisfied, in order to engage in these repeated purchases and thus be said to be loyal.⁹⁴ Consequently, the company must seek to exceed the customer's expectations by supplying superior service. The model clearly shows that services and relationships are a process where all the acts must be managed and performed well in order for the customer to perceive high service quality, since each act, episode and sequence affect the relationship both positively and negatively.

⁹² Roberts et al, 2003 p. 173

⁹³ Grönroos, 2000

⁹⁴ Ibid

Roberts et al. argue that relationship quality is one of two outcomes of the interaction between service providers and customers. The other is service quality, which will be described in depth later in this chapter. Relationship quality is the main influencer of loyalty. In their research it was further found that relationship quality had a much larger impact on loyalty compared to service quality. Service quality, on the other hand, proved to have an impact on relationship quality. Consequently, we argue that the approaches of Holmlund and Roberts et al. are similar to the extent that they both view performance and service quality as antecedents affecting relationship quality, which in turn has an effect on the loyalty of customers.⁹⁵ Consumers can perceive a service having high service quality, but, however, feel that the relation with the provider or company is not characterised by trust. However, the relationship quality is not achieved if there is no qualitative service tying the consumer to the relationship. Roberts et al claim that only in extreme cases relationship quality can occur without the existence of service quality.⁹⁶

There are several different dimensions of relationship quality and researchers have over the years come with their own propositions. These dimensions have been analysed by Roberts et al and have been derived to four dimensions, three positive and one negative that can serve as indicators of relationship quality. These indicators, explained more in the following table, are trust, commitment, satisfaction and affective conflict.

Table 3-3 Relationship quality indicators

1. Trust

Can be defined as whether a party in the relationships feels that the other party or parties will fulfil its needs. Trust in a relationship offers advantages such as reduced risk. Trust can also be seen to decrease the transactional costs, since by trusting someone there is less need to check this partner's performance and actions. Trust can be seen as two types. First trust can be directed towards something's credibility, which is whether someone's word can be trusted and thus that they will live up to their promises. Trust can also be directed towards something/someone's benevolence. This means trusting that something/someone is concerned about one's welfare. Trust has been said to be the single most powerful marketing tool that a company can use.⁹⁷

Cont. next page

⁹⁵ Roberts et al, 2003

⁹⁶ Ibid

⁹⁷ Roberts et al, 2003, Egan, 2001

2. **Commitment**

Commitment in relationships focuses on a party's willingness to maintain the relationship. This dimension affects relationship quality since its committed actors are more likely to work out problems, which may arise in the relationship.⁹⁸ Authors such as Morgan and Hunt have developed the commitment-trust theory where commitment is stated as the highest form of relationship.⁹⁹ Even though we recognise the importance of commitment, we do not agree with Morgan and Hunt in the statement about commitment as the highest form of relationship bonding. Instead, we agree with researchers such as Egan and Roberts et al when they state that loyalty is the highest form.

3. **Satisfaction**

Can be defined as the “‘...customer's cognitive and affective evaluation based on their personal experience across all service episodes within the relationship.’”¹⁰⁰ The reasoning behind satisfaction being an important dimension in relationship quality is that if customers are not satisfied with a product or a service, they cannot be said to have a good relationship with the firm. Consequently, satisfaction is a driver to commitment. It is also important to remember that even though satisfaction is based on earlier interactions in the relationship, it will also form the expectations of the coming ones.¹⁰¹

4. **Affective conflict**

Conflict can be separated in to two distinctive parts. One, the affective conflict, is the feelings, such as anger, that are felt towards someone. The other is manifested conflict, which can be described as the actions taken by someone who experiences affective conflict. The actions can for example be expression of disagreement. Thus, the manifested conflict serves as an indicator that affective conflict exists, and it is the level of affective conflict that has an, in this case, negative effect of relationship quality.¹⁰²

3.3.4 Loyalty – the effect of relationship quality

Loyalty can be defined as “ ‘ [t]he biased behavioural response, expressed over time by some decision-making unit with respect to one [supplier] out of a set of [suppliers], which is a function of psychological [decision making and evaluative] processes resulting in brand commitment’ ”¹⁰³ Loyalty has two alternative antecedents. The first antecedent is based on values such as value for money, convenience, reliability, safety and functionality. The second antecedent to loyalty is based on emotions and satisfaction, i.e. more intangible factors.¹⁰⁴ As stated by Roberts et al, relationship quality seeks to encompass the intangible elements of relationships

⁹⁸ Roberts et al, 2003, Egan, 2001

⁹⁹ Morgan & Hunt, 1994

¹⁰⁰ Roberts et al, 2003 p. 178

¹⁰¹ Roberts et al, 2003, Egan, 2001

¹⁰² Roberts et al, 2003

¹⁰³ Egan, 2001 p. 37

¹⁰⁴ Egan, 2001

that surround the core elements of a product/service.¹⁰⁵ Consequently, we argue that relationship quality, based on what is stated by Roberts et al, is an antecedent to loyalty. A loyal customer, one that experiences a high level of relationship quality, will consequently be engaged in repeated purchases and is less likely to switch to other service providers. When considering the post-modern conditions such as loss of commitment, we feel that loyalty and its enablers are becoming even more important. Consequently, we feel that the companies that wish to stay competitive must secure the loyalty of their customers. Given our theoretical research, we argue that this can be done by ensuring high quality in the relation between the company and the customer.

High level of relationship quality, which in turn leads to loyalty, will lead to enhanced cooperation between actors in a relationship. This will then in turn lead to an increased level of communication, which can contribute to both service/product development as well as opportunities for customisation. The customer is also more likely to promote the company to other customers in a positive way that may enable the company to reduce its marketing costs. Loyalty might also lead to less price sensitivity as well as the customer starting to use other services by the company, i.e. positive word-of-mouth.¹⁰⁶ Consequently, we argue that loyalty, enabled through high relationship quality, will offer the company benefits such as being more competitive and profitable.

The most important advantage with providing services in relationships is that the customers' expectations can be fully met, and the level of trust is the highest. The trust and commitment to a service relationship provider contribute to customers further engagement in the relationship, as well as spreading the word further. When service performance is difficult to predict, both customers and businesses benefit from a relationship. This is especially true for legal and financial services where the emotional and personal participation is high.¹⁰⁷ A relationship decreases the customers' uncertainty and anxiety of having to interact with different and unknown people. The familiar situation and time contributes further to reduced costs and the situation becomes predictable due to increased knowledge through previous dealings.¹⁰⁸ When creating a

¹⁰⁵ Roberts et al, 2003

¹⁰⁶ Ibid

¹⁰⁷ Dall'Olmo & de Chernatony, 2000

¹⁰⁸ Gutek et al, 2002

relationship to an actor a company also creates a competitive advantage, which is very hard to duplicate or compete with for competitors.¹⁰⁹

Over the years it has been noted that when marketing services, i.e. service marketing, the most recognised researchers such as Grönroos and Berry have focused on the importance of having relationships with the customers. This has been referred to as relationship marketing. However, we argue that since services are inherently relationship-oriented and customers are involved in the process, the relationship marketing approach should be seen more as a strategy rather than a theory giving clear directions and “proof” on how to build relations. This leads us into the next section about relationship marketing and how relationships can be used as a strategy by service companies to become more competitive and profitable in the post-modern context.

3.4 RM a relationship strategy

The development of relationship marketing can be connected to mass production. Mass production has led to a loss of direct interaction with the customer. Another fact often referred to in research is the fact that customer retention is considered less expensive than customer acquisitions. It has also been recognised that mass media and advertising no longer have been able to communicate with customers in a sufficient way. Thus, the two-way dialogue needed to understand and answer customers’ expectations was not enabled. At the same time higher expectations from the customer in terms customisation also called for a change in marketing activities. One of the enablers for relationship marketing has been the development of information technology. This development has enabled companies to customise their marketing to single individuals’ i.e. one-to-one marketing, to an acceptable cost.¹¹⁰

¹⁰⁹ Grönroos, 2000

¹¹⁰ Veloutsou, C, et al, 2002

In basic terms, relationship marketing is the opposite of transaction marketing. The most obvious differences are presented in the following table.

Table 3-4 Transactional marketing and relationship marketing compared

Transactional marketing	Relationship marketing
<ul style="list-style-type: none"> ▪ Orientation to single sales ▪ Discontinuous customer contact ▪ Focus on product features ▪ Short time scale ▪ Little emphasis on customer service ▪ Limited commitment to meeting customer expectations ▪ Quality as the concern of production staff 	<ul style="list-style-type: none"> ▪ Orientation to customer retention ▪ Continuous customer contact ▪ Focus on customer value ▪ Long time scale ▪ High emphasis on customer service ▪ High commitment to meeting customer expectations ▪ Quality as the concern of all staff

Source: Egan, 2001, p.24

Comparing the two aspects in the table above, it is evident that relationship marketing is coherent with the characteristics of services and services marketing described in section 3.2. For example, services are produced and consumed in cooperation with the customers, indicating the customer orientation, where the focus cannot be put on features of the service, but the value it gives the consumer.

3.4.1 Criticism of RM

We are not the only ones questioning the usage of RM as a theory. Li & Nicholls state that RM is not a universal tool applicable to all sectors and companies, but instead organisations must ask themselves whether RM is a suitable approach for them, in the context of their customers, partners, industry and business environment.¹¹¹ Another criticisms of RM is that relationships in business have been around since the beginning of trade, and therefore the RM concept is merely something widely know which has been hyped by marketing consultants hoping to earn fast money.¹¹²

According to Grönroos, Dall’Olmo and de Chernatony, most of the research within relationship marketing has been on producing companies and their offerings.¹¹³ When adapting RM it must be done throughout the organisation. Everyone must understand that they in fact are, partially, responsible for

¹¹¹ Li & Nicholls, 2001

¹¹² Egan, 2001

¹¹³ Grönroos, 2000, Dall’Olmo & de Chernatony, 2000

marketing. Just stating that an organisation is using relationship marketing and then buying an expensive information system enabling the creation of customer databases does not create competitive advantage. Instead the organisation must understand that a relationship must involve at least two actors. Thus it is of crucial importance to understand and interact with customers in order to understand their needs and what they perceive as a qualitative relationship.¹¹⁴

Another question that has been raised, and much debated, is whether RM is a paradigm shift or merely a complement to existing marketing theories. Researchers such as Grönroos and Gummesson argue that relationship marketing represents a paradigm shift in marketing since many types of marketing are relationship oriented.¹¹⁵ Further, Gummesson and Seth argue that it is likely to see a new shift in marketing, as well as the economy. This will result in new marketing approaches and a new view of the output and distinction of the economy.¹¹⁶ Even though researchers today debate over relationship marketing being a paradigm shift from the marketing mix approach or not it is important to remember that transactional marketing has not in any way played out its role. A company must therefore realise that there is a place and time for RM as well as for TM, and thus relationships should only be developed when the costs of the relationships are less than the advantages of having the relationship.¹¹⁷

Based on this and our earlier discussion, our standpoint is that RM is not able to constitute a paradigm shift and theory. This is because a paradigm shift would mean that marketing management, services marketing and other marketing theories would be obsolete and completely rejected. Relationships are a great part of services marketing but RM does not yet have any clear operational guidelines to follow. However, using RM as a relational strategy enables services and other companies to face the new challenges that are mentioned above.

¹¹⁴ Egan, 2001

¹¹⁵ Grönroos, 1994. Gummesson, 1997

¹¹⁶ Seth, 2002, Gummesson, 2002

¹¹⁷ Li & Nicholls, [2001

3.4.2 Types of relational strategy tools

Different types of relational marketing have developed within the literature. The types where technology has a great impact is database marketing (DbM), direct marketing (DM) and customer relationship management (CRM). The three concepts are overlapping each other and there are no obvious differences between them. Critics say that these three approaches are outcomes of the rapid technological development, which use RM as support and are supposed to manage customer relationships through databases, but the customer-orientation does not exist. Instead the technological investments are used by companies to aim at customers in their target market without investigating if customers wished to be involved in a relationship or not, which clearly contradicts the objective of RM.¹¹⁸

Since it is believed that relationship marketing is too theory based with few operational indications for management, these different approaches have developed and therefore customer relationship management (CRM) is considered an alternative. CRM is linked with the use of information technology in managing the customer relationships and could take the form of data warehouses, call-centres or customer services. Information on individual customers is used to make analysis of sales, customer profiles, loyalty, profitability and customer contact.¹¹⁹

Common approaches used in relationship marketing are loyalty programmes and databases. These tools and actions do not live up completely to the mutual exchange of relationships. Loyalty programmes are used by companies to make customers stay within the organisation. In some situations customers might wish to switch company, but feel prevented to change since they have to give up the benefits and rewards collected in the program. Databases generate information about the customer, but this information is often used to market “at” customers, which companies do not know if they wish to be a part of a relationship.¹²⁰

We believe that the difference between RM and CRM is that CRM contributes with a set of tools that could be used to manage the customer base.

¹¹⁸ Egan, 2001. Fournier et al, 1998, Grönroos, 2001

¹¹⁹ Egan, 2001

¹²⁰ Barnes & Howlett, 1998, Egan, 2001

Consequently, CRM can be seen as a tactical aspect of the strategy relationship marketing. But having the tools or facts about customers does not answer if the information processed is turned into knowledge, which can be applied on the customers or if the customer really wishes to engage in a relationship.

3.5 Resources as relationship builders in services

3.5.1 What are resources and capabilities?

The expectations and requirements of a customer are not known exactly before the service is delivered. Therefore organisations and providers need to adapt the resources to meet each requirement. The resource-based view of strategic management emphasises the role of resources and capabilities for companies in achieving competitive advantages and profitability. The resources themselves do not create any value, but using the resources together they can develop and create organisational capabilities.¹²¹

The company uses these organisational capabilities to undertake a specific activity. According to Grant, it is not the capability that is of interest, but rather what kind of competitive advantage that the capability creates in comparison to other firms. For example, any company can offer airline services, but are they able to do it in the qualitative manner done by the large airline companies who have developed their capabilities over the years? Thus, creating a competitive advantage by using the company's capabilities is mainly about identifying what the company does better than its competitors and then focusing on developing these core capabilities. A core capability can be defined as something the company does which has an unequal contribution to the customer value or to the efficiency with which that value is delivered to the customer. In terms of strategy it can be seen that companies also focus more on their capabilities rather than on the actual product or service since by developing the capabilities the product or service will be affected.¹²² The RBV is therefore a way to combine the internal (intra-company) and external (competitor and industry) analysis of the company.¹²³

¹²¹ Grant, 2002

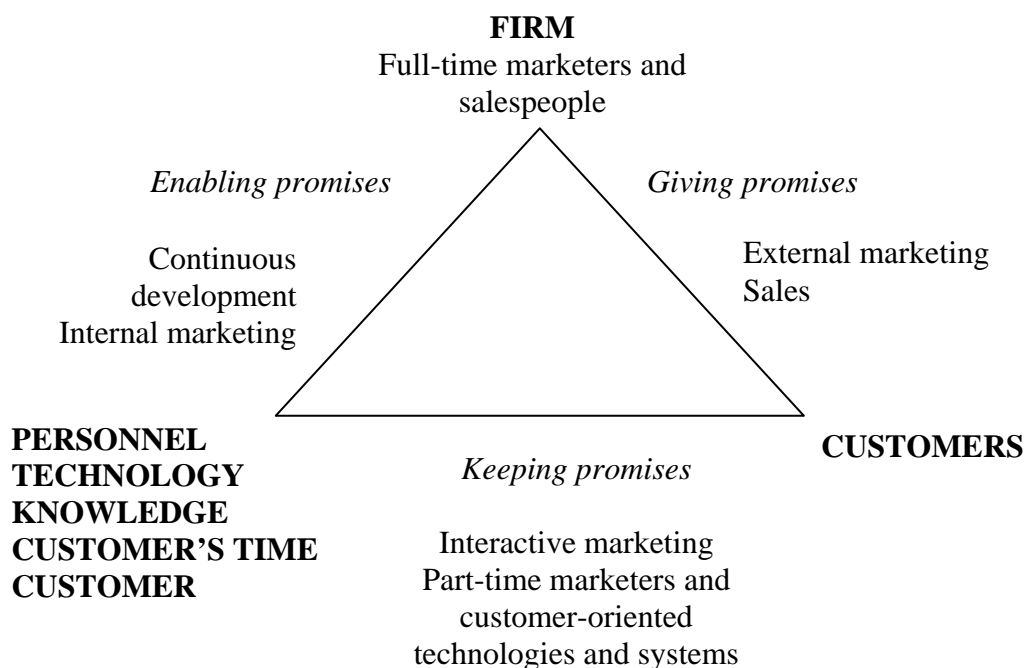
¹²² Ibid

¹²³ Collis & Montgomery, 1995

Grönroos has adapted Kotler's marketing triangle to fit services, shown in figure 3-3 below. Compared to goods, only partly prepared services, based on concepts and preparations, can be made before the actual service process starts. The different resources of a service company are integrated in the services process and deliver value to the customer. It is argued that customer-perceived value is created in the successful management process of these resources. The five groups of resources in a services company according to Grönroos are:

1. **Personnel** – direct and indirect value creation through delivery, customer training and sales activities.
2. **Technology** – machines, etc
3. **Knowledge** – both human and in technical solutions,
4. **Customer's time** – the management of their time
5. **The customer** – the possibility for the customers to see the result of their interaction in the development or design of a process.¹²⁴

Figure 3-3 The service marketing triangle



Source: Grönroos, 2000 p.55

The firm must have the competencies to evaluate and further develop the existing resources in order to continue delivering value and quality to the

¹²⁴ Grönroos, 2000, p.54-56

customers. Therefore, a system is needed for the service process in order to integrate all the resources and for overall management.¹²⁵

Whether these are the groups of resources needed for a service company acting in the post-modern context will be discussed in section 3.9 after a more complete review of relevant theory is made.

According to Grant, resources can be divided into three groups: *tangibles* represented by financial and physical factors; *intangibles* are the technology, reputation and culture; or/and *human*, which are skills/know-how, capacity for communication and collaboration and motivation.¹²⁶ According to Grant, this area is still under-researched, especially with regards to the structure of the capabilities in the single company and how they are developed and established. In companies where awareness of resources and capabilities exist, however, the tools and methods for identification, assessment and development need to be worked upon more. Today's management systems clearly identify the physical and financial resources that are present on the balance sheet. But the critical intangible and human resources have not received the same attention nor have the recognition and appraisal of organisational capability.

Service companies need to develop a business mission just like any producing company. If the company aims to be service-oriented this needs to be emphasised in the service vision together with specific guidelines for the employees and management to follow. This is called the service concept. The service concept answers what the company can do for the specific customer segment, how it will be done and with what resources.¹²⁷ Taking the post modern-conditions into consideration, we argue that this might have to be more focused on the individuals needs rather than trying to aim a specific customer segment. The service concept must also be broadened to not only incorporate the core service offering, but also be focused on how the service can answer to the customers' need to promote themselves. This can be done through the customising of the service that will enable it to fit the contemporary customer's needs for image creation and service experience. If there is no service concept or if it is not clearly communicated in the organisation, the message and

¹²⁵ Grönroos, 2000

¹²⁶ Grant, 2002

¹²⁷ Grönroos, 2000

behaviour to the customers will be inconsistent.¹²⁸ The post-modern context and the development of technology also call for the service concept to be clearly communicated in the indirect interactions.

3.5.2 Organisational structure

The organisational structure of a company can be seen as a map that indicates how tasks and responsibilities are divided within the company. By having a certain structure it will be easier for employees as well as managers to identify their role and position in the company. The different roles and positions in the company are also connected to certain responsibilities as well as decision power. In terms of decision power an organisation can be either centralised or decentralised. When having a centralised organisation the decision power lies at a high level in the organisation, whereas in a decentralised organisation the decision power is delegated further down in the organisation.¹²⁹

Company organisations have usually been divided into certain different areas, such as functions or divisions. One example of a company organised according to functions may have one marketing department, one financial department and one production department. When a company is organised according to divisions this can be based on, for example, products, customers or geographical areas. One example of this is a company, which is organised with the departments Europe, North America, South America and Asia. Given that a company may have functions that are small and interdependent, it might be hard to distinguish them or enable them to be an own department due to their size. In this case the company can use a matrix organisation. The matrix organisation enables the company to visualise how one department is linked to others. A matrix organisation can be based on e.g. product/function.¹³⁰

Traditionally companies have had one specific marketing department in their organisation where all the responsibilities for marketing activities have been placed. This organisation is linked to the consumer goods marketing. In the service sector, given that the service is produced and consumed as well as relationship oriented, it is the employees that produce the service that interact with the customers. Therefore, marketing cannot be isolated into one specific

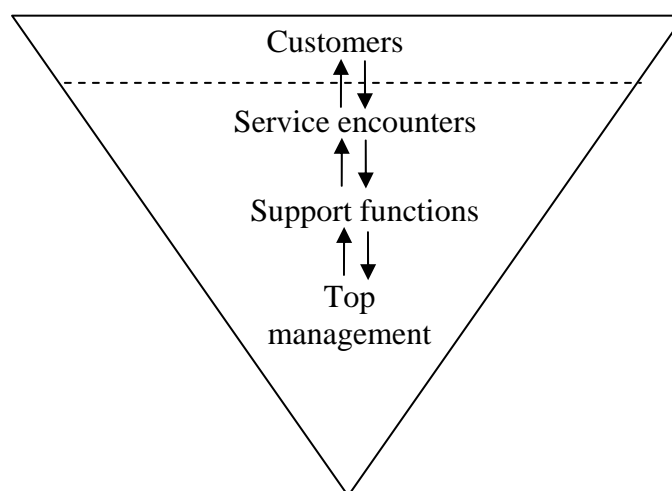
¹²⁸ Grönroos, 2000, Grant, 2002

¹²⁹ Bruzelius & Skärvad, 1995

¹³⁰ Ibid

department, instead marketing is conducted throughout the organisation and everyone should feel responsible for the customer. Consequently, organisational structures must also be adapted to this market and customer-orientation. Because of the customer-orientation and the fact that the value for the customer is created in the personal contact with the employees, these employees must be given decision power and responsibility in order to be able to satisfy the customer. Therefore, top management should not be involved in operational decision making, but should only supply the support and resources necessary for the employees in customer contact to pursue the company strategy. Further, other functions in the company such as management, staff and back office should be seen as service functions supporting the value creation in the interaction between the customers and the employees with customer contact.¹³¹ This market oriented organisational structure is displayed in figure. 3-4.

Figure 3-4 Service-oriented organisational structure



Source: Grönroos, 2000 p.305

It is important to notice that in this pyramid, which has been turned upside down, the customer is actually a part of the organisation. This is because of the fact that the value both for the customer and the company is created in the organisation and the customer can thus be seen as a part of the organisation. As mentioned earlier, an organisation can either be decentralised or centralised, but

¹³¹ Bruzelius & Skärvad, 1995

in order to facilitate the customer-orientation the structure must be clearly decentralised.¹³²

3.5.3 Organisational culture

Almost every organisation has a distinctive culture that mirrors the way of living, thinking, acting and being in that specific organisation. The organisational culture impacts the way problems are solved, decisions are made and how employees are promoted.¹³³

When any company has a established history the organisational culture is: *"...the pattern of basic assumptions that the group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration, and that has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems."*¹³⁴

Leaders and managers in large organisations have become aware of the impact a strong culture has on the company. Building and developing a strong culture can affect the efficiency of the organisation. The organisational culture and its development have been used as one of the largest explanations of many large international corporations success, e.g. SAS, Chrysler and IKEA.¹³⁵

The parts that constitutes the organisational culture are hard to determine but there are five important elements; *dominating ideas and values, significant actors and role models, standards and rules and informal communication channels* are connected around *ideal goals*. Ideas and values are perceptions of good/bad, what is/is not wanted, what should be strived towards and the behaviours that are rewarded or punished. The values of a company give its employees a clear framework of what is expected from them and how they can and should act in their daily work. Role models can through their actions and behaviour transmit values and how they can lead to success. If the norms and rules should have any effect, a prerequisite is to have incentives that reward or punish acts. There is both a social control from the group of employees and a

¹³² Grönroos 2000, Bruzelius & Skärvad, 1995

¹³³ Bruzelius & Skärvad, 1995

¹³⁴ Schein, 1986, p.30-31

¹³⁵ Bruzelius & Skärvad, 1995

more formal such as financial incentives. The informal network is one very important way of transferring values and norms.¹³⁶

Bruzelius & Skärvad refer to several research studies pointing at a relation between organisational success and a strong and consistent organisational culture, where the characteristics of the strong culture are based on the above mentioned business philosophy, shared values, role models, norms and strengthening organisational values.¹³⁷ To only have a strong culture is not enough, it must be business supportive and changeable. Successful companies invest in creating, forming and maintaining the organisational culture through goal-orientation, motivation and structure.

3.5.4 Internal relationships and internal marketing in services companies

Usually one tends to think of the customer as the target for relational efforts, but there are of course other actors such as employees, suppliers, governmental and other non-profit organisations that a company benefits from and needs to create relationships with.¹³⁸

The process to develop internal partnership is referred to as internal marketing (IM) in the literature. Internal relationships are means for the strategic management to attract, develop and motive the personnel at all levels and positions to implement the ideas and values of the organisational culture and to perform in such a way that the quality of the offering increases. Egan refers to research, which indicates that the customer relationship quality is dependent on the impact that the employee makes in the interaction with the customers since employee satisfaction leads to increased customer retention.¹³⁹ Adequate skills of e.g. communication and interaction as well as support systems are also needed within internal marketing.¹⁴⁰

Internal marketing is one of the key issues in services marketing. The employees are the largest cost in the service organisation, but it is also

¹³⁶ Bruzelius & Skärvad, 1995

¹³⁷ Ibid

¹³⁸ Egan, 2001

¹³⁹ Ibid

¹⁴⁰ Grönroos, 2000 p.333

considered to be the primary asset contributing to either the success or failure to deliver the service offering. In comparison to manufacturing companies, service companies are more labour dependent and labour intensive than these.¹⁴¹ If the employees do not identify with the message externally communicated, lack in knowledge on how to implement the service offering and/or how to use the technology involved in the service process, they do not “accept” the service and hence will not effectively promote the offering to the end customers.¹⁴²

3.5.4.1 Empowerment

The changes in business characteristics with increasing service sectors, the rising use of self-service technologies and other technology increases the demand of service-oriented well-trained and skilled employees. The technology process is often satisfactory and will in most cases fulfil the customer requirements, but the customer contact will be the crucial interaction that will enhance or break a relationship between company and customer.¹⁴³ Thus, decisions will have to be taken by the employees in their interaction with the customer that cannot wait for approval from higher levels in the organisation. This frontline decision-making can be enabled by empowerment. Empowerment can be described as giving the employees the right and freedom to take responsibility and offer solutions to the customers needs without needing to consult higher levels in the organisation.¹⁴⁴

When empowering and emotionally involving and engaging the employees a company need to structure their work accordingly. Empowerment is either relational or emotional. Relational empowerment concerns management style and employee participation while the motivational concept is personal and individual where autonomy, power, control and discretion are important. Empowerment has to do with the motivational aspect where the employee should feel the value of his/her contribution and ability to make a difference and affect the outcome. Empowerment is said to increase the interest and wish to take responsibility of the employee in the interaction in the service

¹⁴¹ Egan, 2001

¹⁴² Grönroos, 2000 p.333

¹⁴³ Grönroos, 2000, Meuter et al, 2003

¹⁴⁴ Egan, 2001

process.¹⁴⁵ This does not only act as a motivator for the employees but also as an enabler for service quality. Other ways of motivating the employees can be the use of bonuses and reward systems, as mentioned in the section about organisational culture.¹⁴⁶

3.5.5 Brand relationships

The theory and concept of the brand has developed from acting as a name to distinguish firms' products to acting as relationship between customers and companies based on trust.¹⁴⁷ In order to understand this transition, a brief description of the branding evolution will be made beginning with product branding and ending with a discussion about services brands. One of the first definitions of brands came from the American Marketing Association (AMA) stating that a brand is: "*[a] name, term, sign, symbol or any other feature that identifies one seller's product or service as a distinct from those of other sellers.*"¹⁴⁸ This definition implies that the brand is only used to facilitate customers' preference and guarantee the product quality. The further development of the brand theory has focused on emphasising the brand at a "higher" level than only having functional qualities.¹⁴⁹ The concept of adding attributes of personality to the brand has moved the development to an identity and the creation of a relationship between the brand and the consumer.

Another trend within branding has been the focus on corporate branding instead of the individual offerings. This approach is argued to give a consistent picture of the offering and make the choice easier for customers. In the model "the brand identity system" developed by Aaker, the organisation is stressed as one of the factors supporting the value proposition and credibility upon which customer relationships are built.¹⁵⁰ But criticism towards the notion of personality and Aaker's brand identity system is that there is no explanation on how the relationships are created and no consideration is made that not all firms focus on the corporate brand but on individual product brands instead.¹⁵¹

¹⁴⁵ Lashley, 1999

¹⁴⁶ Egan, 2001

¹⁴⁷ Dall'Olmo & de Chernatony, 2000

¹⁴⁸ www.marketingpower.com/

¹⁴⁹ Dall'Olmo & de Chernatony, 2000

¹⁵⁰ Aaker, 1998

¹⁵¹ Melin, 1999

However, credibility and reliability of a corporate brand determines the level of trust the customer has in it. The higher level of uncertainty, risk and difficulty of quality assessment involved in a purchase, the stronger is the need of the corporate brand acting credible to lower the apparent risk and uncertainty.¹⁵²

The importance for successful brands is that there should exist a similarity between the values developed by the firm and the relational and emotional needs of their customers.¹⁵³ We believe that this sharing of values has taken an even more important role in the post-modern society due to the knowledge of customers seeing themselves as marketable entities and thus uses the values of the brand to promote themselves. The brand acts as a relationship builder, though it is not a personal relationship, but an indirect.

The problem with the extensive literature on branding is that it mostly focuses on products. It is only during the last decade that the importance of service brands has received attention within the services sector, which leaves the research at the very beginning of its development.¹⁵⁴ The distinguishing factor between product brands and service brands is the strategy used for implementation and not the way they are defined. The earlier mentioned marketing paradox, where intangibles should emphasise and create tangible effects, is also valid within services branding. Like services, services brands are of an intangible nature and are regarded as groups of functional and emotional values that promise a specific experience, which need to concentrate the communication of their values on the physical attributes. In services marketing the value delivery process is visible to customers since they participate in the process and evaluation is not possible to ensure in advance.¹⁵⁵ The difficulty to control the service delivery process can be overcome by hiring the correct personnel. When the staff shares the company and brand values, the emphasis in the service process will be customer-oriented that in the end can strengthen the perception of the service brand.¹⁵⁶ There are three main criteria for succeeding with services brands, and they are supported by a fourth, system. These are presented in table 3-5 below.

¹⁵² Dall'Olmo & de Chernatony, 2000

¹⁵³ de Chernatony & Dall'Olmo Riley, 1998

¹⁵⁴ Grönroos, 2000 p.285, Dall'Olmo & de Chernatony, 2000

¹⁵⁵ de Chernatony & Segal-Horn, 2003

¹⁵⁶ Grönroos, 2000, de Chernatony & Segal-Horn, 2003

Table 3-5 Success criteria for services brands

1. Focused position

A clear positioning that is understood by both the staff and the customers. The service brand develops in both the corporate culture and the employee behaviour in the service process with customers. The staff is considered to be the brand by the customers in the service delivery and therefore they must be convinced about the brand.

2. Consistency

It is one of the most important issues, but also the most difficult due to the interaction and behaviour between customers and staff in the service process. Consistency should apply to all interactions and perceptions of the service brand with all stakeholders, not only the customers. Systems are used to strengthen the consistency between employee behaviour and brand value as well as between internal and external stakeholders.

3. Values

It must be clear what the core values of the company are. Employee mind-set and behaviour are critical in achieving a deep convincing service culture, but management is responsible in creating the company culture and should act as the benchmark.

4. Systems

Systems are important in supporting the consistency of the brand. Systems supporting the process will most likely be a prerequisite to stay competitive and will not create a competitive advantage. The employee will depend on the support systems to deliver the service and communicate internally.

Source: de Chernatony & Segal-Horn 2003

As seen in the discussion about services brands one can see the similarities to the RM-thought, which can also be seen in this quote:

“This shift from brands as firms’ creations to brands as relationship builders ... is akin to the notion of reciprocity, mutual exchange and fulfilment of promises which is the basis of relationship marketing.”¹⁵⁷

The use of relationships as a strategy, which is difficult to replicate in order to increase retention and increase profits is similar to the use of the brand to add value for customers, which are difficult to imitate. The idea that a brand serves as tool to ensure credibility and facilitate a purchase is connected to the advantages customers receive in taking part in relations. For low risk and low involvement services and products, the brand works as a bridge to overcome uncertainty, decrease risk and takes away the need to have a personal

¹⁵⁷ Dall’Olmo & de Chernatony, 2000, p.140

relationship with the providers. In the opposite case, the brand can use relations in addition to further emphasise its characteristic of ease and reliability.¹⁵⁸

In many service industries, especially professional services, there is not only a relationship between the customer and the company/brand, but also between the employee providing the offering and the customer. For the message to be consistently delivered by both the brand and the employee, the firm must focus on internal marketing to establish intra-organisational relationships. These form the service relationship triangle. In order to keep promises, the brand and its values are the centre around which delivery standards and motivation for the staff is developed. In this aspect a corporate brand is more important than individual brands. In professional services, customers assess the quality of service not only on a corporate brand, but also on the reputation and the size of the company.¹⁵⁹ The reputation also plays an important role for the contemporary customer. The reputation of a product – is it expensive, exclusive or functional – helps to create and promote the self-image sought for. We argue that brand has become even more important today, when taking into account consumers as a marketing entity. The brand in the post-modern context can serve to both promote an image as well as at the same time create an experience for the consumer based on the values it stands for.

3.5.6 Technology

The development of technology has changed the marketplace for both customers and companies. Technologies are used both internally and externally to optimise operations and contribute with functional benefits for the customers.¹⁶⁰ These inventions have made it possible for customers to go from having a direct interaction with the employees to having an indirect contact with company technology instead. Researchers argue that the marketplace has now been replaced by a market space, where transactions are indirect and do not demand the physical presence of a firm provider and a customer.¹⁶¹ The technologies used are referred to as self-service technologies (SSTs) in the literature.¹⁶² Examples of SSTs are phone systems, Internet, ATM's and

¹⁵⁸ Dall'Olmo & de Chernatony, 2000

¹⁵⁹ Egan, 2001. Dall'Olmo & de Chernatony, 2000

¹⁶⁰ Meuter et al, 2003

¹⁶¹ Rayport & Sviokla, 1995

¹⁶² Meuter et al, 2003 & 2000, Gutek & Welsh, 2000

transactions over the Internet such as online shopping and tracking of ongoing deliveries. Many of these technologies are common and used by many in everyday life, at the same time as new innovative solutions are developed and initiated. In a paper presented at a conference Parasuraman describes:

*“...the growing importance of self-service as a fundamental shift in the nature of services.”*¹⁶³

Not always, but in the majority of the cases, customers themselves choose to use a technology-based or an inter-personal encounter in the service process. The choice is based on the benefits that are offered and if a feeling of comfort exists. Research conducted by Meuter, Ostrom, Bitner and Roundtree emphasise the importance of companies using or intending to use SSTs addressing customers technical anxiety (TA). TA indicates the user's state of mind about the motivation and capability to use tools related to technology. To avoid technological anxiety four approaches are suggested:¹⁶⁴

1. SST customer-oriented design
2. Technology relevant for the task
3. Provide other choices than SSTs
4. Provide incentive and motivators to use the SST

The research around technical anxiety implies that the technology has been developed, but if it is not adjusted to meet the demands, helps and/or contributes to value of post-modern customers, it will not be used.

As mentioned earlier, services are classified in many different ways and one of the ways is according to the increasing importance of technology in the post-modern context and their dependence on technology. *High-touch* services are based on people in the service process producing the service, but are usually dependent on technology systems and resources, while *high-tech* services are based on the use of automated systems, IT and other types of physical resources. When problems occur in high-tech services there is a dependency that the high-touch features solve the issues in a satisfying way for the

¹⁶³ Meuter et al, 2000, p.50

¹⁶⁴ Meuter et al, 2003

customers, since it is more difficult to retrieve the customer loyalty than in high-touch services.¹⁶⁵

The development of Internet has also opened up a new opportunity for companies to use it as a service and relationship medium. The Internet offers customers a possibility to, from the comfort of their home, learn about the company and then initiate a contact. This contact can then, if managed properly, result in a service interaction and later a relationship that is personal, impersonal or a combination of both.¹⁶⁶

Once the customer feels that the perceived value of the technology exceeds the cost, it becomes a necessity. Since post-modern customers know technological solutions exist, which could increase the value of a total services offering, they will demand the service organisation to provide this added value. It will be easy for all firms to acquire the technological resources, but the competitive advantages will come from the organisational capabilities of creating added value that meets the demands of customers. Not only will these new technological developments be an important part of the interaction between companies and customer, but also customers' expectations of technology have made them a condition for long-term success.¹⁶⁷

Service consumption from a post-modern perspective implies a greater focus on the indirect consumption. Since consumers want value and wish to consume products and services "here-and-now", service companies need to focus on also offering their services through technology so customers do not need to interact directly with providers, but can access the service whenever they wish to. We do, however, also believe that the increased usage of technology in the interaction between a company and a customer raises concerns on how to form relationships when there are no personal contacts. How can the knowledge of the employees and the benefits created in a personal relationship be transferred into the technology that enables the customers to have indirect relationships with a service company? Is it important for customers to have the same feeling of a personal relationship even if an indirect communication channel is used?

¹⁶⁵ Patterson, 2003

¹⁶⁶ Grönroos, 2000

¹⁶⁷ Meuter et al, 2000, p.50

3.6 The service encounter¹⁶⁸ – the moment of truth

In the services marketing and management literature, the service encounter is considered as “... *the moment of interaction between the customer and the firm...*”¹⁶⁹ or “...*the direct interaction between a service operation and its customers/client and may take varying forms.*”¹⁷⁰ As stated in the last quote, there is always some kind of contact between the customer and a service company. The service encounter is sometimes also called the moment of truth or critical incident due to the great importance in the delivery of the service. It is here the evaluation of the service quality occurs. This stresses the importance of each service encounter in the total evaluation of the service offering. Independent of what extent of involvement a customer has in the service, a positive result is always dependent on the social contact between the buyer and seller. Egan sums up several researchers view that shows that service encounters can be looked upon as social encounters determining if it is possible to foresee a future relationship between the customer and the service company.¹⁷¹ But what are the implications of this in the impersonal interactions? What does the result depend on then since no social contacts exist?

The service encounter affects customers to a great extent, as well as the overall quality experienced. The employees are also influenced by the service encounter when it comes to motivation, performance and job satisfaction. Hence, service organisations need to manage the service encounters to be able to accomplish the organisational goals through benefiting from both customers and employees. The service-orientation requires that employees are backed by service support systems designed for services (not manufacturing) in order to avoid malfunction when it comes to performance standard and consumer satisfaction. Support systems, procedures and physical environment are essential in the management of the service encounter. However, staffing policies and practices, which influence selection and training of employees are also seen as critical in the management process in the service encounter.¹⁷²

¹⁶⁸ The service encounter discussed in this section should not be confused with earlier mentioned delivery strategy service/enhanced encounters developed by Gutek et al. This delivery strategy will be further discussed in next section

¹⁶⁹ de Chernatony & Segal-Horn, 2003, p.1096

¹⁷⁰ Lewis & Entwistle, 1990, p.42

¹⁷¹ Egan, 2001, Grönroos, 2000

¹⁷² Barnes & Howlett, 1998

In a study published in 1998 conducted by Barnes and Howlett, it is claimed that the service encounter and the element of customers emotions towards a service company and its providers are of grave importance in the financial sector. They see a strong link between how the customer feels, in terms of emotions, in the interaction and their satisfaction of the relationship.¹⁷³ The authors concludes that “[e]very interpersonal interaction is unique, and front-line financial services employees must be consistent that even the minute of nuances of the exchange can have an impact on how customers feel”¹⁷⁴

In the post-modern context, customers constantly promote their image to the surrounding world by consuming products or services. We, therefore, argue that the service encounter takes on an even more important role since contemporary individuals thus act as marketers of the product and service at the same time as they consume it. A successful service encounter will thus led to not only marketing through word of mouth, but also continuous marketing through customer images.

3.7 Delivery strategies

It is not only important how the service is performed, but also in what way it is delivered. Service delivery is connected to what kind of relationship that exists between the actors. Due to the relationship-oriented characteristic of services, most services have involved a consumer in the process until the delivery is completed e.g. personal services such as hairdressers and airline travel. These services are mentioned as *high-contact* or *continuous services* in the service marketing literature.¹⁷⁵ But services like electronic banking and broadcasting are services delivered to the consumer without the personal interaction with the provider. These are *low-contact* or *discrete transaction services*.¹⁷⁶ As already discussed, these indirect interactions are an increasing trend satisfying the customers’ need of convenience and very often it is former high-contact services that are being transformed into low-contact transactions e.g. banking.¹⁷⁷ Even though a transaction-oriented approach of delivering services

¹⁷³ Lewis & Entwistle, 1990

¹⁷⁴ Barnes & Howlett, 1998 p.21

¹⁷⁵ Lovelock, 1996, Grönroos, 2000

¹⁷⁶ Ibid

¹⁷⁷ Lovelock, 1996

is wanted, it is more complicated to create relationships that are continuous, appreciated and valued by customers. If this strategy is successfully performed it is a profitable alternative for relationships.¹⁷⁸

3.7.1 Delivering services without personal relationships

Some researchers today, such as Gutek, Groth, Cherry, Bhappu, Liao-Troth and Welsh, are questioning the broad use of the term “relationship” within the service sector and discuss what implications the misuse have on both the companies delivering a service and people consuming it. They have developed a strategy for delivering services more efficiently and have defined the different interactions between the actors in the service markets as follows:

“Service relationships occur when a customer has repeated contact with the same provider. Service [enhanced] encounters occur when the customer interacts with a different provider each time. Service pseudo-relationships are a particular kind of encounter in which a customer interacts with a different provider each time, but within a single company.”¹⁷⁹

The authors argue that the common and broad use of the terminology “service relationships” does not clarify the features of service delivery and therefore in many cases management are making wrong assessments on expected performance and the actual service delivery¹⁸⁰. These wrong assessments might give an explanation for the fact that the perceived satisfaction and service quality among consumers are declining and reaching all-time lows.¹⁸¹

An encounter does not necessary have to involve a human being as provider, it can also be a machine, e.g. a bank cash machine, the Internet or an automatic check-out system at a hotel. The important issue is not that the customer and provider know each other since the customer already have a perception of the organisation before he/she decides to use the service.

¹⁷⁸ Grönroos, 2000

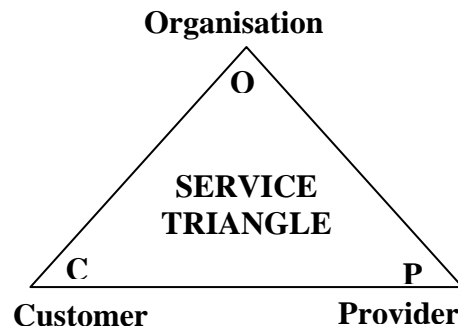
¹⁷⁹ Gutek et al, 1999, p.218

¹⁸⁰ When Gutek et al talk about **services/enhanced encounters** this should **not be mixed** with earlier discussion in 3.6. about service encounters. Gutek uses service/enhanced encounters when discussing a strategy of delivering the service, not describing the actual moment of interaction.

¹⁸¹ Gutek et al., 2002, Fournier et al., 1998

The involved parts in the service delivery are characterised in the service marketing triangle that both Kotler and Grönroos refer to (see section 3.5.1) with the customer (C), the organisation (O) and the provider (P) as Figure 3-5 indicates.

Figure 3-5 The C-O-P model



Source: Adapted from Gutek & Welsh, 2000

The *organisation* is the owner and managers that lead the company and manage the services offering's brand image. The *provider* is the employee or machine that meets the customer and supplies the service. The *customer* represents the people that purchase and consume the service offered by the organisation and distributed by the provider. The interaction in the triangle is of course interconnected and the level of involvement between them indicates what kind of links, patterns and interactions that exist.

Gutek and al have further developed the C-O-P model into a set of Relationship and Encounter models, which is divided into relationships and encounters. The emphasis in this model, compared to the earlier C-O-P model, is whether the links between the components are strong or loose and how this affects service businesses. The links indicate the degree of repeated and/or intensive contact among the C-O-P elements (for a more extensive explanation of this model see Appendix 3).¹⁸²

Gutek et al propose two different strategies for delivering services: *relationships* or/and *enhanced encounters*. In service relationships the link between the customer and provider is always strong. Both actors are

¹⁸² Gutek & Welsh, 2000

interdependent and benefit due to mutual cooperation. The relationship is created through the “shadow of the future”, that is the expected unlimited future contacts.¹⁸³

In service encounters, the link between customer and provider is always weak but instead the link to the company is strong. Consequently, the provider may be a different person each time. The reason that an interaction occurs is because a central organisation provides the service. This means that the company must create an attractive organisation, i.e. brand, for the customer in order to attract and retain customers. The organisation uses brand loyalty as the primary tool to create a relationship to the customers.¹⁸⁴

The choice of using the encounter strategy of delivery instead of a personal relationship is a low-cost, efficient, and potentially highly profitable way of delivering service to a large number of customers.¹⁸⁵

Sometimes *pseudo-relationships* can occur if these companies do not realise that only a weak link is present between the customer and the provider and they put focus on creating a relationship which is not needed and/or sometimes not wanted. The customer is loyal to the service organisation, but does not wish to interact in any other way than through the encounter with a provider. But knowing the processes and the organisation, it can seem to be a relationship.¹⁸⁶ Hence, the businesses pursuing pseudo-relationship believe and argue they offer personalised service, but everyone is treated the same in encounters.¹⁸⁷

Gutek & Welsh discuss the differences between enhanced encounters and pseudo-relationships from actions such as provider behaviour, method of getting customers, types of experiences for customers and providers and method of judging quality, to mention a few.

¹⁸³ Gutek et al, 1999

¹⁸⁴ Gutek et al, 1999, Gutek & Welsh, 2000

¹⁸⁵ Gutek et al, 2002

¹⁸⁶ Gutek et al, 1999

¹⁸⁷ Ibid

Table 3-6 Pseudo-relationships vs enhanced encounters

What	Pseudo-relationship	Enhanced encounter
<i>Provider behaviour</i>	Provider acts according to a script	Provider acts from his training, experience and product knowledge
<i>Method of getting customers</i>	<ul style="list-style-type: none"> ▪ Making assumptions from data ▪ “Personalised” pitches based on data 	<ul style="list-style-type: none"> ▪ Advertising convenience, low price ▪ Customised pitches based on data
<i>Providers’ ability to deal with customer problems</i>	Little to none – customer complaints handled by customer service	<ul style="list-style-type: none"> ▪ Some flexibility for providers to deal with problems on the spot ▪ manager available if customer abusive
<i>Type of experience for customers</i>	<ul style="list-style-type: none"> ▪ Fast, cheap, convenient location ▪ Length of time spent waiting varies ▪ Process has familiar look and feel, but price/process can vary with time/place or other conditions 	<ul style="list-style-type: none"> ▪ Convenient hours and location ▪ dependable, uniform price and process ▪ Staffing and process reduces wait time as much as possible ▪ Unique way of presenting the service or product
<i>Type of experience for providers</i>	<ul style="list-style-type: none"> ▪ Strict work rules ▪ Provider expected to “be nice” to all customers, even abusive ones 	<ul style="list-style-type: none"> ▪ Flexible work rules ▪ Providers can personalise their work space ▪ Providers not expected to deal with abusive customers ▪ Manager intervenes and backs workers
<i>Method of judging quality</i>	Tracking numbers – how many customers served in what amount of time	Looking at the total time it takes from the customer’s point of view and whether the customer got what he expected

Source: Gutek & Welsh, 2000, p.161

However, considering that enhanced encounters should be seen as the alternative to personal relationships, the table clearly indicated that it is pseudo-relationships that are the transactional approach to delivering services, while the enhanced encounters have very similar goals and means as personal relationships.

As seen in the discussion about Gutek et al’s delivery strategies, they state that there is a difference between having a relationship and encounter. They argue that the later does not constitute a relationship. Instead, the customer then has a bond to the organisation with which he/she is interacting. We argue that this way of viewing the relation between the customer and the company does not reflect the business reality. The theoretical framework in this thesis has so far

shown that a relationship between service companies and customers does not need to be personal in order for a relationship between them to exist. ,Instead we believe that a relationship can exist both between the customer and provider as well as between the customer and the organisation. We base this argument on the definition of a relationship presented in 3.3.1. This definition does not, in any way, exclude the possibility of forming a relationship with an organisation. Consequently, we argue that the strong link between the customer and the organisation in the enhanced encounters actually constitutes a relationship. Following this argument, we see the enhanced encounter only as a way of delivering the service within a relationship.

It must, however, be stated that we feel that Gutek et al. when describing the enhanced encounter focuses on an important issue in the service marketing. Given the post-modern conditions, the organisation will meet customers who demand fast and efficient service, which might be increasingly based on self-service technology. The enhanced encounter, low-contact or discrete transaction services then offers an efficient approach to service delivery. By using skilled workers, databases and other technology as well as the brand, this strategy can be utilised to appeal to the contemporary consumer who seeks efficiency as well as images and experiences.

The service relationship as a transactional, low-contact approach offers advantages both to the customer and the company such as homogenous treatment of the customer, mass customised delivery through technology and lower operational costs by standardisation of functions and services. There are, however, also disadvantages with an encounter strategy. Since encounter providers often are low paid personnel, the employee turnover is relatively high in encounter businesses and how should the managers proceed in motivating its providers? Quality must also be implemented throughout the organisation so that the customer does not come across difficulties, telephone queues, when in need of assistance after the encounter.¹⁸⁸ The focus of the services marketing has been on relations between the consumer and company, mostly since the outcome of the service process is what the customer actually consumes. But, the post-modern context now indicates that the relationship approach to market, perform and deliver the total offering in services industries is not the only one and most desirable.

¹⁸⁸ Gutek et al, 2002

3.8 Service quality

It is important for an organisation to know exactly what the customers wants in order to be able to develop models for management and marketing of services that can influence the customers. It must be clear what the connection between the service concept, customer benefits and service offering is to succeed to influence the customers in the way that is wished upon. Service quality was introduced as a topic in the service literature during the end of the 1970s. Since then several attempts have been made to develop scales and models for measuring service quality.¹⁸⁹ By improving the service quality the company enables enhanced productivity as well as lower costs. At the same time, improvement of service quality improves the relationship quality, which creates general benefits such as increased loyalty as well as increased market share.¹⁹⁰

3.8.1 The definition of service quality

Throughout the years of research into service quality it has been obvious that a clear definition of service quality has been hard to agree on. In general there seems to be an understanding that service quality is something that the customer feels towards the service, a general attitude of a service' superiority or inferiority. How this attitude is developed is however much debated. In his article, Robinson¹⁹¹ discusses, and summarises, the view several researchers have upon service quality. The article states that Parasuraman, Berry and Zeithaml argue that service quality is the difference between a customer's expectation of a service and the actual performance of the service. Teas argues that service quality stems from the difference between performance and ideal standards. Last, the researchers Cronin and Taylor argue that service quality is only based on performance.¹⁹² Whichever base for service quality that is selected, it is of grave importance to remember that service quality is what the customer perceives, and thus it includes not only technical aspects of the service but the whole service experience.¹⁹³ We argue that this is becoming even more apparent given the post-modern context where the customers not

¹⁸⁹ Grönroos, 2000

¹⁹⁰ Yang, 2003

¹⁹¹ Robinson, 1999

¹⁹² Ibid

¹⁹³ Grönroos 2000

only seek out fast and reliable service, but also want to create an image of themselves and consume not only the service but also an experience

3.8.1.1 Service quality and customer satisfaction

Service quality is connected to customer satisfaction. However, it seems to be generally agreed upon that the two are separated from each other. The manner of this distinction is also debated by the research community. According to Robinson¹⁹⁴, researchers such as Bolton and Drew as well as Parasuraman, Berry and Zeithaml, argue that service quality is an overall feeling or attitude towards the service firm, while satisfaction specific to an individual encounter. Teas, on the other hand, argue that service quality is not only limited to the overall attitude but is transaction specific. Further, it is debated whether satisfaction acts as an antecedent to service quality or if it is the other way around. According to Robinson, many authors such as Cronin & Taylor, Gotlieb and Oliver have discussed this relationship, but no common solution has been agreed upon.¹⁹⁵ Based on the review made by Robinson in his article regarding the views of the relationship between satisfaction and service quality, we argue that service quality acts as an antecedent to satisfaction when looking at the single service encounter. However, when looking at the whole service experience previous satisfaction can in turn affect the customers view on service quality in a new service encounter. If the customer for example has previous positive experiences of satisfactions towards a service provider/company, this will in turn effect how he perceives the service quality in the new service encounter.

Further, Roberts et al argue that a customer who is not satisfied with the service received from a provider cannot be expected to have a good relationship with the firm. This is also proved by their conducted research, were they find that service quality has a large effect on relationship quality, which in turn affects the loyalty of the customer.¹⁹⁶ Consequently, we argue that high service quality, which can be achieved by exceeding the customer's expectations through the usage of the company's resources and capabilities, is vital in order to create sustainable relationships.

¹⁹⁴ Robinson, 1999

¹⁹⁵ Ibid

¹⁹⁶ Roberts et al, 2003

3.8.2 The measuring of service quality

In 1982 Grönroos developed a customer-oriented concept called Perceived Service Quality and a model of total perceived service quality, which focus on the outcome of service process experiences in comparison to the expectations. Since it is important to know what the customers want, the service or product quality is whatever the customer perceives it to be and company resources should be invested and developed accordingly.¹⁹⁷

According to Grönroos, there are two basic quality dimensions impacting the perceived quality among customers; *technical quality of the outcome* (what) and *functional quality of the process* (how). The technical quality is possible to measure more objectively than functional since the latter is very subjective.¹⁹⁸ It is important for companies not to forget that even though the technical dimension is the easiest to measure, the functional process plays a larger role in the total evaluation of the service.

In the 1980s researchers Berry, Parasuraman and Zeithaml developed the SERVQUAL instrument with 10 determinants of service quality based on the Perceived Service Quality concept. These have later been revised and narrowed down by the researchers themselves to only five determinants which are *tangibles*, *reliability*, *responsiveness*, *assurance* and *empathy*.¹⁹⁹ The SERVQUAL instrument is based on measuring the gap between the customers' expectations of service and what they then perceive as the actual performance of a service. If there is a negative difference between expectations and performance service quality can be said to be low, whereas if the service provider fulfils or exceeds the customers expectations the service quality is high.²⁰⁰

This model has since then been popular and widely used. At the same time it has caused a lot of debate within the research community. SERVQUAL has been accused of (1) only measuring the process and not the outcome of a service, (2) that the usage of the expectation (E) vs. performance (P) is not adequate to measure service quality (note that E vs. P is in this case not

¹⁹⁷ Grönroos 2000

¹⁹⁸ Grönroos, 2000, Parasuraman et al, 1988, Parasuraman, et al, 1991, Robers et al, 2003

¹⁹⁹ Grönroos, 2000. Robers et al, 2003

²⁰⁰ Yang, 2003

challenged as base for service quality, but as a base for measurement), and (3) although claimed by its developers SERVQUAL does not seem to be generally applicable.²⁰¹

We believe that given the post-modern context the functional quality of the process has further increased in importance due to the customer being an image-seeking marketable entity. This implies that the company, when seeking to understand service quality, also must think from the post-modern context. The customer might base his choice on image, which is a function of the service, rather than the quality of the core service. This might present situations where the customer acts irrationally if the company only sees to technical quality. We further argue that this makes Grönroos' approach more favourable than the much criticised SERVQUAL, because it enables the incorporation of the post-modern conditions to a larger extent.

3.8.3 The seven good criteria of good perceived service quality

Through merging empirical and conceptual research and practical experience, Grönroos has later found seven criteria for good perceived service quality that could act as guidelines for managers. These criteria, presented in table 3-7 on the following page, are divided into outcome, process and image related criteria. The outcome-related criteria are related to the “what” dimension in Grönroos earlier classification and the process-related criteria represents the “how”. Grönroos has also selected to add image-related criteria. We believe that this further enables the incorporation of post-modern conditions into the Perceived Quality Model. As with the much debated SERVQUAL, the specific situation and relevance of the criteria needs to be considered since the environment is dynamic.²⁰²

²⁰¹ Robinson, 1999

²⁰² Grönroos, 2000

Table 3-7 The seven good criteria of good perceived service quality

1. Professionalism and Skills

Customers realise that the service provider, its employees, operational systems and physical resources have the knowledge and skills required to solve their problems in a professional way (outcome-related criteria)

2. Attitudes and Behaviour

Customers feel that the service employees (contact persons) are concerned about them and interested in solving their problems in a friendly and spontaneous way (process-related criterion)

3. Accessibility and Flexibility

Customers feel that the service provider, its location, operation hours, employees and operational systems are designed and operate so that it is easy to get access to the service and are prepared to adjust to the demands and wishes of the customer in a flexible way (process-related criterion).

4. Reliability and Trustworthiness

Customers know that whatever takes place or has been agreed upon, they can rely on the service provider, its employees and systems to keep promises and perform with the best interest of the customers at heart (process-related criterion).

5. Service Recovery

Customers realise that whenever something goes wrong or something unpredictable happens the service provider will immediately and actively take action to keep them in control of the situation and find a new, acceptable solution (process-related criterion).

6. Serviscape

Customers feel that the physical surrounding and other aspects of the environment of the service encounter support a positive experience of the service process (process-related criterion).

7. Reputation and Credibility

Customers believe that the service provider's business can be trusted and gives adequate value for money and that it stands for good performance and values, which can be shared by customers and the service provider (image-related criterion).

Source: Grönroos, 2000, p.81

3.8.3.1 Impact of indirect relationships and the post-modern context on service quality

How well do these seven criteria converge with the indirect interaction between the customers and company and are they applicable? We argue based on our prior knowledge and perception that all seven criteria are of importance when measuring the quality of the service provided through technology and indirect interaction channels. Professionalism and skills needs to be visualised in the operational systems that the customer use together with the knowledge put into the software that gives solutions to the problem. The services offering and

solution must be designed in a way that offers the customer a solution to the problem. One of the main benefits of technologies in services is that accessibility and flexibility of consumption is made possible according to the individual needs when it comes to time and place. Since no human is taking part of the consumption process there is a great need to have a feeling of security in that the service is reliable and trustworthy and will deliver. If ever the technology fails it is important that there are support functions in the company facing the problem and solving it. Problems of both individual nature and when the system is affected by a failure needs to be equally well managed. The design of the solution is not important only in the first criteria, but the design that the customer meets while interacting must be user friendly and imply a feeling of security and trust in the service. The image and reputation of the provider is transferred to all the different communication channels. Therefore the company brand or cooperation with another company can increase the reputation and credibility of the indirect interaction.

As mentioned above, we argue that Grönroos' seven criteria of service quality enable the service quality to be put into the post-modern context. One obvious link to the post-modern context is reputation and credibility (7), which is an image-related criterion. The post modern customer, who seeks to promote an image of himself/herself, must be understood to judge whether the company's values corresponds to his/her own desired image. Given the search for experiences, the criterion of serviscape (6) becomes relevant in the post-modern context since this measure whether the customer has a positive service experience. The customer wanting the positive service experience, as well proving to be less committed, also confirms the increased importance of the criteria attitudes and behaviour (2) since having a positive service experience can very much be connected to the attitudes and behaviour of the employees. This can also in turn reduce the risk that the less committed customer switches service provider since he feels that his problems are solved in a friendly and spontaneous way.. The customer being less committed also implies the increased need for the service company to be reliable and trustworthy (4) and have the professionalism and skills (1) needed. At the same time the customer in the post-modern context seeks to be able to experience everything here and now, this increases the importance of the criteria of accessibility and flexibility (3) since the customer will demand service solutions that will be accessible at their convenience.

3.8.4 Summary

We started this chapter by explaining the conditions of postmodernism and the affects these have on service marketing. From this it could be seen that marketing in the post-modern context should be focused on creating sustainable relationships between the company and the individual customer. We then proceeded to describe the special characteristics of the service industry as well as the consumption of services, which indicated the need of a customer-orientation as well as a relational orientation in services. Given the relational orientation of both services marketing and marketing in the post-modern context we then described the characteristics of a relationships as well as the strategy relationship marketing. In this section, we identified that the resources of a company can act as relationship builders and consequently we continued our theoretical research by identifying as well as describing the service company's resources and how these can be used to build and deliver the relationship. In the section regarding relationships, we identified that the quality of a relationship is affected by the customers perception of service quality and thus we continued by describing the characteristics of service quality as well as how it can be measured. We will now end this chapter by developing a model, based on our earlier discussions in the introduction and the theoretical framework, which will enable us to answer our research question.

3.9 *Sustainable relationships in the post-modern context*

As can be seen in this theoretical discussion, there are several aspects that influence the services companies and their interaction with customers. In the beginning it was stated that the development of resources and capabilities gives the company a ground to achieve competitive advantages and profitability. Grönroos identified five groups of resources necessary for services companies while Grant makes a division into the characteristics of the resources. However, we argue that neither of the two clearly mirrors the resources a service company needs to create organisational capabilities in the post-modern context. The division according to Grant has a structure and content that is more applicable to the characteristics of a producing company where there is a clear division between tangible products, intangible assets and humans. In service companies the greatest focus is on the humans using the intangible resources with support of the tangibles. Grönroos shows the firm in his services marketing triangle, but leaves out the important aspects of organisation, culture

and financial status. Consequently, we have listed five main groups of resources necessary for the company to create organisational capabilities in table 3-8 (also illustrated in our models figure 3-6 and figure 3-7):

Table 3-8 Service company resources

1. Firm

The *organisation* and its structure, flat or hierarchical, impact how the interaction between the employees and consumers occurs. The organisation is closely linked to the organisational *culture* in which the values and capabilities are nurtured. The *brand* transmits the values, beliefs and images that the firm stands for. The *financial* resources are not directly visible to the consumers, but a positive financial result gives the company resources to make further investments in the processes and employees to enhance the experience in the services offering. *Technology* concerns the hardware used within the organisation and in the interaction with the customer. *Location and accessibility* represent where and how the customer can gain access to the service. This can be done either through direct personal visits or indirectly through different communication tools.

2. Personnel

The front-line personnel in the company must have the adequate knowledge and *skills/know-how* in order to perform the service in the interaction with the consumers while the management need to have the skills/know-how to manage and lead the employees.

3. Technology

The technological *equipment* is the basic hardware that enables the employees to efficiently provide the service both in the personal and impersonal interaction. In the equipment the data about the customer is stored which is then processed through *technological solutions*, and turned into business intelligence.

4. Customers

The customer *interaction and involvement* in the service process is a resource since it is in this exchange that the quality of the service and relationship can be enhanced and without the *customer* the service cannot be consumed.

5. Knowledge

Knowledge about the consumers is created in the interaction with the customers as well as through processing and translation of data in the technological systems into business intelligence. *Business intelligence*, when it comes to trends in the market and environment in which the organisation and customers act is necessary to have. This is needed in order to be able to respond to changes and not experience sudden surprises that negatively affect the relationship.

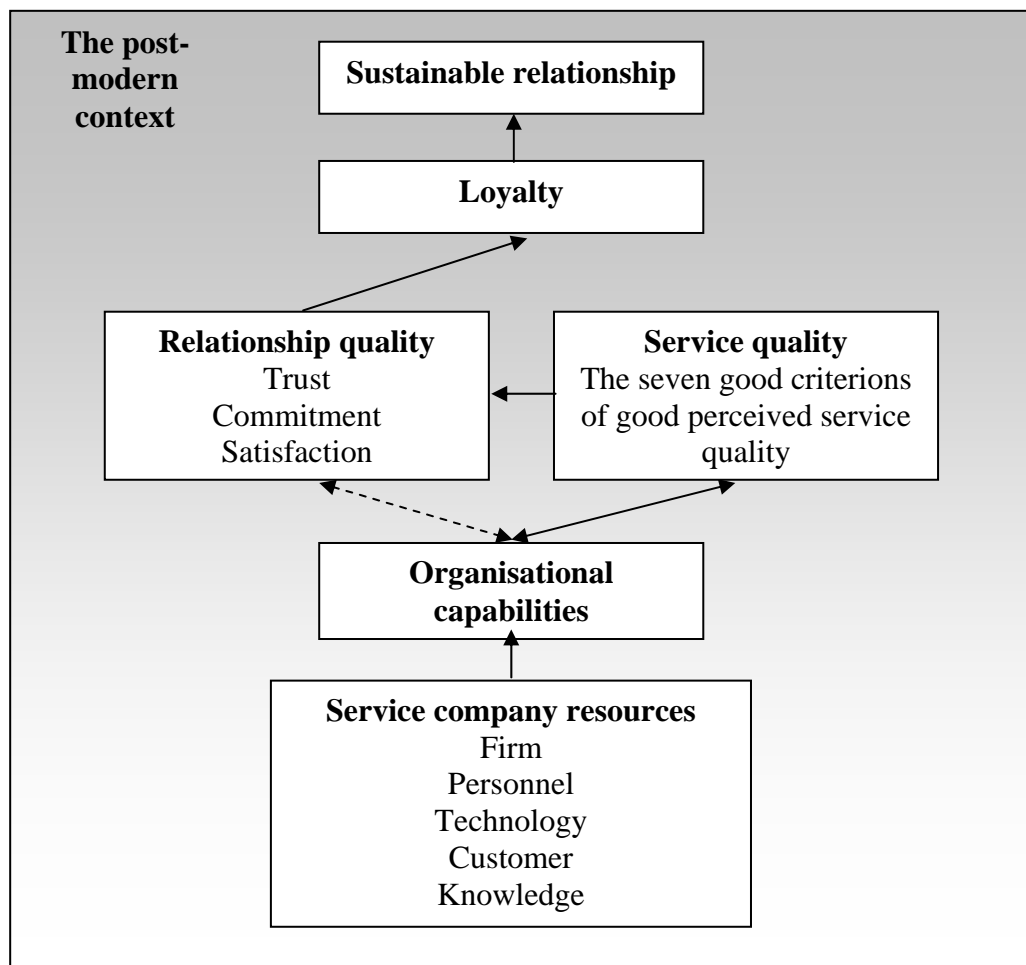
Source: Authors' own elaboration, 2003

Given the post-modern context, we argue that the intangible resources of a service company have increased in importance since they, if used right, enable the customer to receive fast high quality service at their convenience as well as the possibility to promote the customers desired self-image. We further argue

that the intangible resources enable the company to have a relationship with the customer when having indirect interactions.

Based on our theoretical research, we have developed a conceptual model presented in figure 3-6, This model describes how relationships can be formed using the company's resources.

Figure 3-6 Creating sustainable relationships in the post-modern context

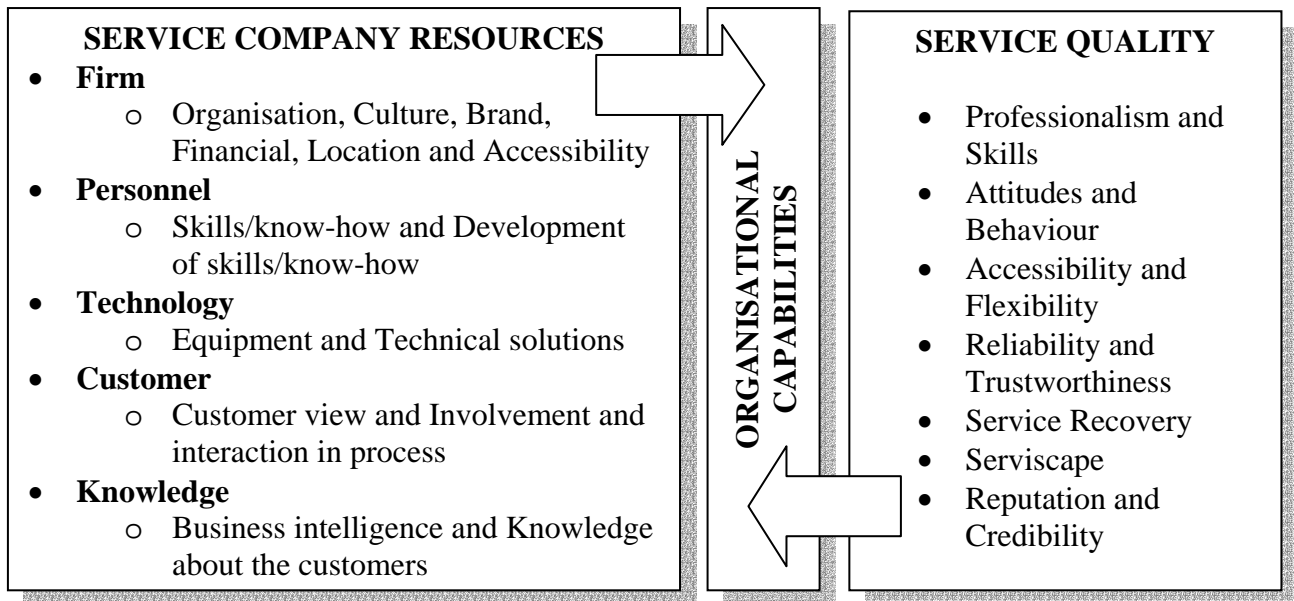


Source: Authors own elaboration, 2003

As can be seen, several aspects in this model could be researched, e.g. how trust can be built and which resources that may affect relationship quality. Given our theoretical research we have concluded that relationship is very unlikely to exist without high service quality. Therefore, we argue that enabling high service quality is vital for the company. Consequently, as can be seen in the model, we will focus on how the company should utilise their resources to create capabilities that enable high service quality, as it is perceived by the

customers. Our model has then been narrowed down to incorporate only the company's resources and capabilities and service quality. Based on the theoretical research we have selected to use Grönroos seven criteria of good perceived service quality. The further narrowed model is presented in figure 3-7.

Figure 3-7 Service company resources, organisational capabilities and service quality



Source: Authors' own elaboration, 2003

Having developed this model enables us to structure our empirical findings regarding SHB, its customers and the industry in a comprehensible way. Consequently, we will now present these findings. The empirical findings will be structured in two chapters. In chapter four, we will present our industry findings and general information about SHB. In chapter five, the empirical findings regarding the relationship between SHB and their customers will be presented.

4 THE FINANCIAL INDUSTRY AND SVENSKA HANDELSBANKEN (SHB)

Handelsbanken can not be seen as a single independent entity that interacts with their customers in a vacuum. Instead the bank must consider the industry in which it operates. This chapter will present our findings regarding the banking industry as well as competitors of SHB.

4.1 The financial industry

4.1.1 International financial industry

The international financial services and banking industries have been deregulated. This has opened up possibilities to enter earlier impossible markets. The deregulation of the banking market to enter into other business than lending money and keeping deposits have increased the mergers and acquisitions cross-industries as well. The implication of this is the creation of international and continental cross-border mega companies such as Citigroup, JP Morgan Chase and Credit Suisse First Boston. Further, Internet banks are increasing their number of services and customers using them.²⁰³ The financial industry has been affected by the broken dot-com bubble and stagnation or recession in several economies. A lot of customers have lost huge sums of money and therefore legitimacy and trust are important aspects that the financial companies must work with.²⁰⁴ Still in 2002 the financial world markets had a problematic year. The stock markets over the world had declining prices, Stockholm Stock Exchange presented among the worst results with a fall of more than 37%.²⁰⁵

4.1.2 The Swedish financial industry²⁰⁶

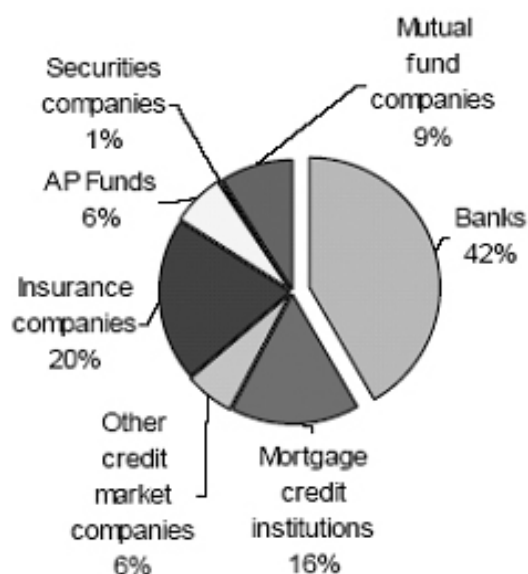
The financial industry in Sweden is 4 % of GDP and employs two percent of the working population. The largest group of actors on the financial market are banks, mortgage credit institutions and life insurance companies accounting for 78% of the market share. As seen in figure 4-1 the banks represent 42% of the market.

²⁰³ www.yahoo.com (1) & (2)

²⁰⁴ www.hoovers.com

²⁰⁵ Handelsbanken annual report 2002

²⁰⁶ Section 4.1.2-4.1.6 is based on Svenska Bankföreningen, 2003 if no other reference is given

Figure 4-1 The Swedish financial industry

A rapid expansion of the financial market has occurred. One of the outcomes of this is that the boundaries of the industries are becoming less visible and therefore companies move into other areas, e.g. insurance companies entering the banking market (see heading 4.1.3 below). Another fact is that banking to a larger extent uses other sources of distributing old and new services such as the Internet and phone systems. The new possibilities have increased the

competition with new entrants on the market. A third characteristic of the changing market is that over 85% of the Swedish people have savings in equities or funds, which by international comparison is a relatively high share.

4.1.3 Structure of the Swedish banking industry

The banking industry consists of four types of banks: (1) Swedish commercial banks (joint stock banks), (2) foreign banks, (3) savings banks and (4) co-operative banks. Due to the deregulation of the banking sector in 1986 the amount of foreign bank and commercial banks has increased. The table below gives an overview of the types of banks described above.

Table 4-1 Number of banks in Sweden

Type of bank	Dec 2000	Dec 2002
Swedish commercial banks	22	27
- of which the "big four" SEB, Nordea, FSB & SHB	4	4
- of which former savings banks	9	11
- of which other Swedish commercial banks	9	12
Foreign banks	21	22
- of which subsidiaries	2	1
- of which branches	19	21
Savings banks	79	77
Co-operative banks	2	2
Total	124	128

Source: Svenska Bankföreningen, 2003 p. 2

The strongest position among the commercial banks is held by “the big four”: SEB, Svenska Handelsbanken, FöreningsSparbanken (FSB/Swedbank) and Nordea representing more than 80% of the total assets on the banking market. The two other types are smaller Swedish commercial banks and savings banks that have different structures and ownership. The latest group of commercial banks have started their activities during the last ten years focusing on retail banking and offering their activities and services online or through telephone. Two newly opened banks are ICA Bank and Forex Bank, which shows entrants from other industries (ICA a grocery chain and Forex is a foreign exchange bureau).

The deregulation of the financial sector by the end of the 1980s opened up the market to foreign establishments. The pace of foreign banks setting up branches in Sweden started slowly due to the financial crisis in the beginning of the 1990s but has after that increased. The areas of focus are corporate banking and securities market. The largest foreign actor as well as the 5th largest in the market is “Danske Bank” after acquiring Östgöta Enskilda Bank. In some segments of the market share of the foreign banks is large, e.g. investment banking.

The savings banks are usually regional and local actors and most of them closely cooperate on technological solutions and products and services offered to customers with FöreningsSparbanken.

4.1.4 Online banking

According to the Swedish Bankers’ Association, the development of Internet banking services is among the most advanced and the share of Internet customers is very high. The services offered are e.g. payments, current accounts, trading of funds and shares. The reasons for the advanced position in online banking are considered to be the large proportion of more than 60% connected households and efficient customer-friendly services.

The number of bank customers that use the Internet services have increased from 14,000 in 1996 to 4,400,000 in 2002. This statistic is partly misleading since customers have the option of using more than one bank, but still it clearly shows the great increase and use of the online services. According to a survey conducted by Cybercom Group, 41% of the bank customers researched use the

Internet as their main communication channel with the bank.²⁰⁷ This survey is further discussed later in this chapter.

Table 4-2 No. of Internet customers of Swedish banks at the end of each year (thousands)

1996	1997	1998	1999	2000	2001	2002
14	200	630	1,500	2,700	3,900	4,400

Source: Svenska Bankföreningen, 2003

Benefits and implications of providing the banking services online are different for customer and the company. The customer does not need to visit the local branches to conduct daily financial transactions and due to the increased possibilities to interact they become more active in their banking dealing. For the banks the efficiency of delivery and making of their services increases and the focus of the employees in the offices shift to being counselling and selling.

A very small amount of the payments are made in cash. Almost all payments go through a bank or credit card company. Charge cards and electronic giro systems are used, which are linked to transaction accounts at banks. The same transaction account is usually linked to salary payments, ATMs and credit and charge cards. There are two electronic giro systems, Bank giro (owned by all banks) and Postal giro (Nordea since 2001), which provide a secure and quick way for the large amount of payments made each year – more than 800 million transfers were made in 2000. The network of ATMs is extensive, which customers can use independently of bank provider.

Further, there is an increased usage of Internet as a communication channel to the banks. The increase was 4.5 percent in the 2003 survey and in total 41 percent of the customers are using Internet as there main source of communication with the bank. Further, the loyalty and satisfaction of the customers who are using the Internet is basically the same as for those customers who do not use the Internet service. It can also be seen that the customers using the Internet are more homogenous in their satisfaction than the ones not using Internet.²⁰⁸

²⁰⁷ www.cybercom.se (1)

²⁰⁸ www.kvalitetsindex.org

In terms of rating the Internet services of the Swedish banks, the company Cybercom Group conducts an annual study of the services offered on the Internet by Swedish banks. This results in a rating of the banks. Cybercom Group also conducts a survey on the bank's customers that are using the Internet services. In 2003, Skandiabanken received the highest rating in the survey with 687 points out of 1000. SEB placed second and Föreningssparbanken third. Handelsbanken placed fifth place but was however the bank that made the largest increase in the rating. It is also found in the survey that in general all the banks have become better when compared to the survey of 2002.²⁰⁹

According to the survey, the customers using the banks' Internet services increased by 10 percent since the survey was done in 2002. This should however be compared to the 4.5 percent increase stated by SKI. Even though the surveys show a difference in the increase it seems evident that there is some increase nevertheless.²¹⁰

In terms of the customer survey, Cybercom Group states that the views of the customers can be summed up in five different areas that the customer values. The first area is *simplicity*, which means that it must be easy to both log onto and use the service. The customer also values *functionality* in terms of being able to conduct their daily business by using the Internet service. Further, *accessibility* is valued; the customer must be able to access and use the service 24 hrs a day. The Internet service must also be *safe* to use by the customer. The customers also feel that there must not be any functions in the service that reduce its speed. Further, the customers also stated that the functions most important to be able to use were the service accounts, payments as well as viewing the customers total commitment to the bank in terms of services used and current accounts of cash, funds stocks, etc.²¹¹

4.1.5 Management of capabilities in banking

In 1959, researcher Penrose suggested that strategic intent that directed resources, dedicated assets, intangible assets, skills and other input into the production process was the main determinant of which ability the firm had to

²⁰⁹ www.cybercom.se (1)

²¹⁰ Ibid

²¹¹ Ibid

compete and gain control of promising opportunities to grow.²¹² This has been measured and confirmed by other researchers during the 1970s and 1980s. Strategic intent is also said to influence if a company must develop additional or new capabilities and resources as well as if modification was needed in the way of cooperation and communication between people and resources.²¹³

According to Bátiz-Lazo and Wood, it is of vital importance for a company to understand how each separate component of a bank's service offering adds value when positioning themselves in the market as well as aiming for diversification. In general, banks tended to develop their services, channels and customer position based on tactical aspects such as anticipated competitive advantage rather than the long-term development of core capabilities. However, a difference could be seen based on the state of the economic environment. Where the banks were exposed to a turbulent environment, they focused on economic growth, whereas if the bank operated in a much more stable economic environment the focus would be on core capabilities and technical and social development. Less economic turbulence also resulted in longer planning periods as well as longer periods of break-even. Further, core business, given that it is the main income source, had a shorter break-even period than stand alone diversified projects.²¹⁴

When studying the strategic considerations in banks almost half of the respondents (46%) considered financial performance more important than strategic criteria, 18 percent considered strategic criteria more important, and finally 23 percent considered them both to be important. One reason for the focus on the financial performance was the usage of cross-subsidisation which enables the bank to have high financial return business that finances low financial return business. Consequently, these findings of Bátiz-Lazo and Wood show that banks seem to focus more on creating competitive advantage based on tactics or random strategies, taking economical performance into account, rather than making long term commitments to develop core capabilities through for example budget. Further, by developing universal banks, the focus has been on denying entry for other service providers. This can

²¹² Bátiz-Lazo, & Wood, 2001

²¹³ Grant in Bátiz-Lazo & Wood, 2001

²¹⁴ Bátiz-Lazo & Wood, 2001

in the future be done through an increased number of services as well as further segmentation of the customers.²¹⁵

4.1.6 The entry of new actors in financial and banking services

In January 2002 it was predicted that customers would move away from visiting their local branches in favour of the technological developments. Even though banks invested heavily on CRM programs, the efforts from the other new competitors, such as grocery stores, would have better services and solutions that the customers would prefer to use.²¹⁶

Examples of these new alternatives on the Swedish market are ICA Banken, Skandiabanken and Coop Bank. These banks all offer higher interest rates on their accounts compared to other banks.

The interest rate offered by these banks on their salary account, the account which in general is the most used in daily transactions, is displayed in table 4-3.

Table 4-3 Comparison between SHB and new actors in terms of interest rate

Bank	Interest rate	Return on 5,000 SEK	Return on 10,000 SEK
SHB	0-0.6 % *	0	0
ICA Banken	2.25 %	113	225
Ikanobanken	2.35 %	118	235
Skandiabanken	2.25 %	113	225

Source: Bolander, 2003

* The interest rate 0.6 % is given on amounts over 100 000 SEK

ICA Banken received the award “Bank of the year 2003” by the magazine “Privata Affärer (PA)”.²¹⁷ ICA is one of Sweden’s largest grocery chains and the award is justified by the bank having clear and straight conditions at very competitive interest rates. The magazine still states that the bank is not suitable for all kinds of bank customers, but PA considers the bank to be a competitive alternative to “conservative large banks” when it comes to daily bank services.

²¹⁵ Bátiz-Lazo, & Wood, 2001

²¹⁶ www.globalchange.com (2)

²¹⁷ www.privataaffarer.se

The factors behind the nomination of ICA Banken are:

- Core services such as cards, payments and credits with good conditions
- The only bank that gives savings interest from the first day of deposit
- Interest on savings- and current accounts are among the best in the market
- Free withdrawals with cards all over the world
- House mortgages in cooperation with SBAB which offer low interest rates
- Credit without starting and fixed fees
- Clear conditions. Fees are not “hidden”
- Best grade from another magazine “PC för alla” when testing Internet banks

Skandiabanken was chosen as “Best Internetbank 2003”. Scandia is an insurance company and the award was based on an Internet survey at Privata Affärer’s Internet page where 5,300 bank customers rated the services and quality on their Internet bank. The other Internet banks that received top rankings in this group were Länsförsäkringar (insurance company), Ikanobanken (IKEA) and Stadshypotek Bank (SHB subsidiary). FöreningsSparbanken received the award for ”Best bank product 2003” for a site suitable for disabled.²¹⁸

Another new actor in the banking and financial services was Coop Bank. This was a joint cooperation between Kooperativa Förbundet/KF (grocery chain), TeliaSonera (telecommunication) and Skandia Liv (life insurances) that was executed in May 2002. The initial idea was the three actors would contribute to success using the combination of the resources and capabilities within each company and offer the vision of a household bank that offered favourable and simple solutions for more effective household finances and a simpler everyday.²¹⁹ However, the investment in the Coop Bank project has not turned out positive and in June 2003 it was decided to terminate the project. In the

²¹⁸ www.privataaffarer.se

²¹⁹ KF would provide its customer base with 3 million loyalty card holders and 500,000 card-account customers, the brand name Coop form, the network of stores and the knowledge of retail sales to be applied to retail banking; Skandia Liv had experience from banking due to the start of the Scandia-bank and a IT platform for a bank; and TeliaSonera have the knowledge of how financial services would be offered through modern telecom-based solutions

press release the reason for the termination of the project is that the customers were more reluctant to switch bank provider than expected.²²⁰ Even if this project was terminated, the abovementioned non-banking actors such as insurance and furniture related actors have the possibilities to offer competitive banking and financial services to customers and they will continue to do that.

4.1.7 The future development of banking

The development and view upon the Internet and the implications of it in the financial and banking sector until today is interesting, since it has changed in the last 10 years. In articles written by futurist Patrick Dixon he reflects that in 1996 the Internet was believed to be irrelevant and did not impose any effects on customers and investments were not necessary. In 1999 this view had changed and large amounts were invested to catch up. By 2001 the opinion had once again switched to believe that the Internet was of importance but not fundamental and therefore little should be spent on it.²²¹

However, some people have reacted negatively on the development of the technology and creation of giant banks and financial organisations. Not everyone wishes to have a personal contact while others are searching for personalised services. Yahoo Finance shows statistics that the electronic transactions have greatly increased since 1995 and predictions are made that there will be a doubled increase until 2005.²²² This shows that the technology and systems are necessary to support banking and financial services in their business but still the personal contacts and relationships cannot be neglected. The problem seems to be how to keep the customers loyal as demands on standardisation of systems exist to lower the switching costs and increase flexibility for customers.

Market research is important, in the sense to examine the current status on the market and to get indications of customers' opinions and how to further improve the service. However, companies must be careful to let the customer "decide" and predict the future since they are not experts on financial services. The market research states the situation as it is today not tomorrow. Many customers are also reluctant to changes and often only see the possibilities with

²²⁰ www.coop.se

²²¹ www.globalchange.com (1)

²²² www.yahoo.com (1)

today's conditions and not what the future could bring with new innovations.²²³ In a news bulletin of a CRM company the leader is highlighting and supporting this issue by stating that "...[r]emember to not insult the future with forecasts."²²⁴

The futurist emphasises the importance to have visionary leadership that will guide the organisation into the right future direction, not only to focus on skilled management. The future lies within the digital technology and how it will be used to increase the value in the financial sector. The increased competition from other actors in other markets has already begun and is predicted to also have more impact in the coming future.²²⁵

The technology must be improved even more. One example is the transfer of money within the system. Internally this process takes seconds, but externally between financial institutions it can take several days. In the post-modern context this will not be acceptable in the long-term future. The consumers know that the possibility and technology can be developed and will very soon require that it is made available for them. This gives the customers the possibility to more easily switch provider and indicates for the company that it is not something they can gain any competitive advantage from but it will be a prerequisite for competition. Even if digital and other technology plays an imperative part in the future, the nature of the financial and banking industry gives the companies some protection from the technology becoming the most important aspect of business. Still, the nature of the business is uncertain and imposes a great risk for the individual customer, which in turn will demand relationships based on a feeling of reputation and trust for the organisation that cannot be exchanged by electronic solutions or channels of distribution.²²⁶ Relationships and trust will be the only truth for the account managers of the largest and most important customers. The source of competitive advantage in this sector will be based on the development and nature of the personal relationships with the customers.

However, these relationships can be formed with the support of technology. In an article from 1999 Nelson describes the development and use of technology

²²³ www.globalchange.com (1), www.globalchange.com (3)

²²⁴ www.ebc.se

²²⁵ www.globalchange.com (1), www.globalchange.com (2)

²²⁶ www.globalchange.com, Dall'Olmo & de Chernatony, 1998

in banking during the post-1970 period. During the 1970's and 80's the technology in banking was mainly used to increase operational efficiency, i.e. enabling increased amounts of transactions, the development of the ATM, telecommunications, etc. In other words, technology was used to support the banks key advantages location and convenience. During the mid 1990's there was a slight shift, turning from using technology to enable operational efficiency to use it to develop database marketing applications. However the main focus still was at developing different delivery technologies. The main reason for this lack in integration between marketing and information systems was, according to Nelson, cultural. Marketing in banking has traditionally been product driven and the oligopolistic nature of banking has not called for marketing activities. Information services, on the other hand, have as described above, been focused on enabling operational efficiency. Consequently, Nelson argues that still today in the new millennium there is an increased need to integrate the information services and the marketing function. Further, the role of databases and database marketing is becoming more critical to bank success.²²⁷

By integrating information services and the marketing function several advantages can be achieved in banking, such as the possibility to make more intelligent marketing decisions by segmenting customers, which according to Morrall²²⁸ can lead to improved customer satisfaction, increased profitability and decreased costs. Database marketing applications are examples of integration of marketing and IT that has been developed that banks use in their daily work. However, one obstacle is the fact that banks traditionally have organised their customer information according to products that are used rather than the other way around. Consequently, the banks must change from being function and product driven to become customer driven both in terms of organising data as well as deployment strategies. This change will enable the banks to better compete both with other banks and with non-banks.²²⁹

In terms of what lays in the future for banks, Mats Adler the CEO of Cybercom Group argues that the banks must leave their traditional thinking behind. Instead of simply transferring there business to the Internet the banks must see

²²⁷ Nelson, 1999

²²⁸ Ibid

²²⁹ Ibid

the possibilities to use technology in order to create new opportunities to satisfy the customers. Mats Adler further sees five clear trends that are connected to technology. These trends are derived from the discussions between experts and several CEO's of larger banks at the Nordic Banking Forum 2003.²³⁰

First, the future systems of banks will be developed based on components that are using data from the existing systems rather than developing completely new systems. The components can then be adapted to new forms of usage in order to be able to adapt to new demands in a fast and cost efficient way. Another trend is anticipated to be the focusing on core activities instead of the actual technique. Further, the niche banks are here to stay. They must however perform better than the larger banks and also be able to develop new fast solutions without using the old IT systems. It is also foreseen that in the future "bank on demand" will exist. This means that as soon as a new demand arises this must be identified and satisfied by the bank. This calls for better IT systems. Finally, a future trend will be to make everything connected to the banks' Internet services much simpler. This can, for example, be done by having standardised security solutions.²³¹

*"The most successful [financial] institutions will be those who combine visionary technology and very competitive pricing with strong relationships and brands built on trust and previous in-depth experience of the client business."*²³² This quote by futurist Dixon is his predictions on how the future of technology will impact corporate banking. However, we argue that the same indications are also valid for retail banking since technology has a great impact on the Swedish households as well as the increased knowledge and engagement in their financial situation makes them more demanding customers.

The future of banking lies not only in the technological advances. In the Western world and in Sweden the demographics are changing. The population is becoming older. Sweden recently changed its pension system, since the welfare system would not bear the future pension payments. Since 1991 the number of Swedes that are saving for future pensions and making deductions

²³⁰ www.cybercomgroup.com (2)

²³¹ Ibid

²³² www.globalchange.com (1)

on taxes has increased every year.²³³ The implication of this is that people to a larger extent need to start saving and investing money for future spending and survival, at an early stage in life.

4.2 Svenska Handelsbanken AB (SHB)

4.2.1 History

Svenska Handelsbanken was established in 1871 but under the name of Stockholms Handelsbank. The start was slow due to the recession in the financial industry. By the end of the 1890s there was an economic upswing in the economy and the bank was involved in financing the rapidly growing Swedish industries, especially foresting. Through this involvement the bank grew in other parts of Sweden at the same time as contacts with banks internationally also occurred.²³⁴

By the beginning of the 20th century Handelsbanken had grown and become as large as the two other established banks, Stockholms Enskilda Bank and Skandinaviska Banken. Even if the bank had grown in the whole country, the organisation of the bank was still as a local bank. If the local offices had had difficulties they had merged with other local banks and through these the bank had grown considerably. Until 1919 several acquisitions were made and the dominance of the bank in other areas than Stockholm, the company name was changed from Stockholms Handelsbank to Svenska Handelsbanken. The acquisitions continued until the 1950s. Handelsbanken expanded through purchasing other banks. The first foreign bank, Oslo Handelsbank (Norway), was acquired in 1990. During the 1990s the expansion also meant that Handelsbanken invested in other financial areas and companies, such as life insurance, mortgage credit institution and mutual funds.²³⁵

Like any company in any business recessions have hit and impacted the company negatively. However, usually Handelsbanken has managed to survive without the help of the government or the National Bank of Sweden (The Riksbank). In 1973 the banked faced a large crisis and almost went bankrupt. Jan Wallander became MD and reorganised the entire bank. He implemented

²³³ www.konsumentverket.se

²³⁴ <http://www.handelsbanken.se/>

²³⁵ Ibid

the organisation that still exists today. The company is decentralised with a customer-orientation and ruled by a profitability focus and strong cost awareness.²³⁶

4.2.2 Objectives, principles and policy

The overall objective of Handelsbanken is to have a return of equity that is higher than a weighted average of the other Nordic competing banks and hence the goal is to be the best Nordic bank as well. The demanding customers expectations should be met by the quality of the services offered. The aim of the bank is to have the most satisfied customers in comparison with the Nordic banks. Pricing should be fair and the level of cost should be lower than in other banks. Profitability is of greatest importance and therefore the size of the market share is not a priority.²³⁷

The bank wishes to employ young well-educated and further give opportunities to develop in the organisation and stay until they retire. This also means that the top management of the organisation should be recruited internally.²³⁸ The reason for this is that the corporate culture is very strong and unique and to continue leading the company according to the vision and aims the managers must understand the whole organisation and comply with it.²³⁹

The decentralisation is visible in the whole Handelsbanken group. Means to control is the strong corporate culture and corporate policy (Mål och medel) together with a financial control system. The policy and organisation of the bank is not like a traditional bank with central head offices responsible for products and segments of customer, but instead the local Handelsbanken branches have the overall responsibility for each individual customer and Head Office acts as support function to the extensive network of local branches.

The expansion into other financial areas is step in the aim to become a universal bank covering all areas of banking, e.g. traditional corporate banking, investment banking and trading as well as consumer banking and life insurance

²³⁶ Wikström (1), Eklund & Wikström, 2003, www.handelsbanken.se , Handelsbanken annual report 2002

²³⁷ SHB annual report 2002, Wikström, 2003, Björnberg (1)

²³⁸ Handelsbanken annual report 2002, Wikström, 2003 , Eklund & Wikström, 2003

²³⁹ Eklund & Wikström, 2003

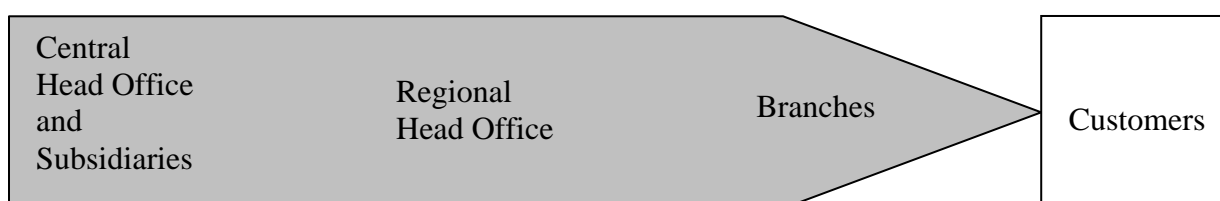
in all present markets.²⁴⁰ Areas in which Handelsbanken offer services today are: finance company services, traditional corporate business, global trading, securities, asset management, life insurance, private business (retail banking) and mortgages.²⁴¹

The international strategy of SHB is to be a leading universal bank in Sweden, a large universal bank in the other Nordic and north European countries and have a presence in parts of the world that are important for the Nordic and north European customers. Hence, the core market is Northern Europe (Sweden, Norway, Denmark, Finland and the UK) where the regional offices are situated.²⁴²

4.2.3 The Handelsbanken Group

Handelsbanken chooses to visualise its organisation as one unit aiming at the customer needs with the local branch as the company face, as seen in figure 4-2. The central office consists of Group Management, Business operation departments (assets management and markets) and Business support departments, e.g. business development, corporate communication, human resources and IT operations. The subsidiaries are Handelsbanken Finans, Handelsbanken Fonder, Handelsbanken Liv, SPP, Stadshypotek (incl. Handelsbanken Hypotek) and Stadshypotek Bank. In Appendix 4, an outline of all offices, support departments and subsidiaries is presented.

Figure 4-2 The Handelsbanken Organisation



Source: Adapted from Handelsbanken annual report 2002, Eklund & Wikström, 2003

4.2.4 The local branch and the customer

The local branch offices have full responsibility for operations with all customers both companies and private individuals. The local office is not seen

²⁴⁰ Handelsbanken annual report 2002

²⁴¹ Wikström, 2003, www.handelsbanken.se

²⁴² Wikström, 2003, Widerberg, 2003

as a distribution channel, but it is “the bank”. The local presence is strong with a way of working that is decentralised and high level of cost effectiveness. The local branches earn around 75 % of Group profits.²⁴³

The focus of the bank and its employees is on the customer, where one customer meets one bank, i.e. his/her local office. However, there are different ways to communicate with the customer. Today the SHB customer can use the contact centre, Datasvar (telephone service), ATM, Internet & Internet support, mobile phone (WAP) in addition to the branch office.²⁴⁴ Information technology is a prerequisite for the future success and competitiveness for SHB in financial services. It is not the technology in itself but how it is used in the actual service process and in providing the service offering.²⁴⁵

4.2.5 Service offerings through SSTs

Automatic transactions through the ATM, charge and credit cards, Privatgiro (payments), Autogiro (direct debits), standing orders, Internet and Datasvar represented almost 84 % of the total number of transactions conducted by the bank's private customers in Sweden by the end of 2000. The numbers for Norway and Finland are higher.²⁴⁶

Most of the activities conducted in the local office are now also possible through the Internet, Datasvar and the other automated services. The service provided by the bank through the Internet is not considered to be delivered by a separate “Internet bank” but through a communication channel. 30 % of private customers and 50 % of corporate are connected to the Internet. Each customer is connected to its branch office that offers a customised website and e-mail address. The service is free of charge and since the beginning of November 2003, it is possible to access the Internet service at all hours and not only from 06-24 as it was earlier.²⁴⁷

²⁴³ Wikström, 2003

²⁴⁴ Wikström, 2003, www.handelsbanken.se

²⁴⁵ Björnberg (1) & (2)

²⁴⁶ Wikström, 2003

²⁴⁷ Björnberg (2), 2003, Wikström, 2003

The services offered through Datasvar are basic information about the balance on accounts, funds, interest rates for lending and ordering information over the fax as well as transferring money between family accounts.

On the Handelsbanken webpage extensive information and advice concerning all aspects of the bank and its products and services are described. When it comes to the services over the Internet that consumers can use, they are more extensive than over Datasvar. In addition to Datasvar, an Internet customer can transfer money to internal and external accounts, make payments and receive electronic invoices, open fund accounts and trade with the funds, receive information about loans and tie the loan to a fixed interest, trade with shares, change pension and insurance funds/placements and change card codes.²⁴⁸

In 1999 SHB was among the first to start offering mobile Internet services through WAP. Services possible to access through the mobile phone are balance on accounts, transfers, market information and news concerning shares, share prices and access to personal service when the user puts an order to trade with shares.²⁴⁹

4.2.6 Competitors

In order to be able to further compare Handelsbanken with other actors in the Swedish banking industry, four Swedish banks will now be presented. The banks that will be presented are SEB, Nordea, Skandiabanken and Länsförsäkringar Bank (LFB). Although similar to each other, and to Handelsbanken as well, there are a lot of things that differ between these banks.

²⁴⁸ www.handelsbanken.se

²⁴⁹ SEB Annual Review 2002

The basic differences, such as size and number of offices, can be seen in the table below.

Table 4-4 Company indicators – SHB vs. competitors

	Turnover (M SEK)	Employees (Swe)	Offices in Sweden
SEB	793,947	6,185	201
Nordea Bank Sverige	483,995	8,423	265
Skandiabanken	39,647	1,199	65 (Advise only)*
Länsförsäkringar bank	20,519	106	80
Handelsbanken	1,032,439	6,951	456

Source: Bank- och Finansstatistik 2002 * Skandiabanken Annual Review 2002

However, there are of course other differences than the table shows, for example which kind of customers the bank aims for and how they offer services. In terms of which kind of customer each bank is focusing on, there are differences between these banks. SEB according to their annual review focuses on financially active and demanding private individuals.²⁵⁰ Nordea, on the other hand, focuses more on private individuals outside the big cities.²⁵¹ LFB states that their customer focus lies on private individuals as well as individuals working in the agriculture sector.²⁵² Finally, Skandiabanken does not specify any particular private customer focus.

As seen in the table above, the number of local offices differs between the banks. Nordea, which has 265 local full service offices spread over Sweden, states that their organisation is strongly decentralised and profit centre-based. The branch offices and the regions are the profit centres with the responsibility for all the business its customers have with the bank. This includes risks related to such business, the quality of the services offered as well as profitability.²⁵³

LFB has 80 offices, these offices do not however offer full service. Instead the focus lies on the company's Internet bank service. LFB states that their banking operations are run according to the länsförsäkrings idea. This means that all the business and contacts with the customer are conducted on the local level. Additionally, LFB cooperates with Svensk Kassaservice. This enables the

²⁵⁰ www.handelsbanken.se

²⁵¹ Blecher, 2003

²⁵² Länsförsäkringar annual report, 2002

²⁵³ Nordea Annual Review, 2002

customers of LFB to make cash deposits and cash withdrawals at all the 1350 local offices of Svensk Kassaservice as well as with 2700 rural postmen.²⁵⁴

In terms of offices, Skandiabanken is a pure Internet bank and therefore has no full service offices, however there are 65 offices that offer the possibility for the customer to get personal advice regarding his/her private economy. This advice is also given to the customer over the internet as well as over the phone.²⁵⁵

During the end of the 1990's, SEB started to focus on its Internet bank and a large amount of the investments made in the bank were done in the Internet bank and at the same time one out of five local offices was closed down. This has however changed and today the 201 local offices of SEB are again coming into focus. This is done by moving the decision making process one step closer to the customer, i.e. giving the local offices more freedom and independence and thus becoming more local and open to feedback.²⁵⁶

In terms of the banks' financial situation, it can be seen from table 4-5 that there are rather large differences in terms of earnings and costs as well as key indicators such as return on equity and the cost/income ratio.

Table 4-5 Key financial indicators – SHB vs. competitors

	SEB	Nordea	Skandiabanken*	LFB	SHB
Total Income	27,378	5,3865	2,016	536	21,367
Total Costs	18,949	3,5578	2,057	581	10,336
Credit losses	-828	-2479	-9	25	-392
Result	7,412	494	41	20	11,031
Return on equity	12 %	11.3%	1.93%	0.16%	14.6%
Cost/Income ratio	0.69	0.64	1.02	0.92	0.50

Source: Annual Review 2002 each respective company

*Skandiabanken Annual Review 2001

To sum up, it can be seen that all the compared banks except Skandiabanken state that they focus on having a local approach. Two of the banks, SEB and

²⁵⁴ Länsförsäkringar annual report, 2002

²⁵⁵ Skandiabanken annual report, 2001

²⁵⁶ Lindsten, 2003, SEB Annual review 2002

Nordea, further state that they have increased the responsibility given to the local offices when it comes to the interaction with the customers. In terms of the banks financial situation it can be seen that Handelsbanken has the best results in terms of the key indicators as well as the operational result. Further, Handelsbanken has a much lower amount of credit losses compared to the other two large universal banks, SEB and Nordea.

The difference in performance of the Swedish banks can also be seen in terms of customer satisfaction. All the Swedish banks are once a year rated in terms of customer satisfaction in an index called Svenskt Kvalitetsindex (SKI). This index is developed by two Swedish universities in cooperation with Statistics Sweden (SCB) and the Institute for Quality Development (SIQ). The index is based on the customers perception of cooperate image, expectations, product quality, service quality, price worthiness and loyalty. By comparing the different ratings of the banks it can thus be seen which bank that has the most satisfied customers. The ratings of the Swedish banks are presented in the table below. In the index the maximum possible result is 100.²⁵⁷

Table 4-6 SKI-index for retail banking 1997-2003

Company/Year	1997	1998/99	2000	2001	2002	2003
Föreningssparbanken	66	61	65	63	65	67
Handelsbanken	68	67	70	70	72	71,8
Nordea	59	61	64	63	66	66,4
SEB	66	62	65	60	65	65,1
Danske Bank	-	-	-	75	72	72,4
Länsförsäkringar Bank	-	-	-	-	-	70,9
Other Banks	67	70	74	72	73	72,5
Total	64	64	67	65	68	68,4

Source: www.kvalitetsindex.org

As can be seen from the table above, Handelsbanken had among the highest customer satisfaction over the years that the survey has been done and gets the rating 71.8 in 2003 compared to the total customer satisfaction which is 68.4. Further the satisfaction felt by the customers of Handelsbanken have increased over the years even though there is a minor decrease this year both in their individual rating as well as in the gap to the other banks.²⁵⁸

²⁵⁷ www.kvalitetsindex.org

²⁵⁸ Ibid

The results of the SKI survey are also divided and presented in the different sub areas of the research. This enables the possibility to show each bank's individual rating in terms of for example image, loyalty and product quality. The results for the 2003 survey are presented in appendix 5.

Some observations have been made by SKI based on the results of the 2003 survey. First of all it is stated that between ten and twenty percent of the customers have complained about their bank and it can be seen that the customers that have complained are in general less satisfied than other customers. Even though it is found by SKI that the banks generally are bad at dealing with complaints in a way that satisfies the customer, the complaints rarely lead to the customer changing to another bank.²⁵⁹

²⁵⁹ www.kvalitetsindex.org

5 RELATIONSHIPS AND SERVICE DELIVERY IN SVENSKA HANDELSBANKEN

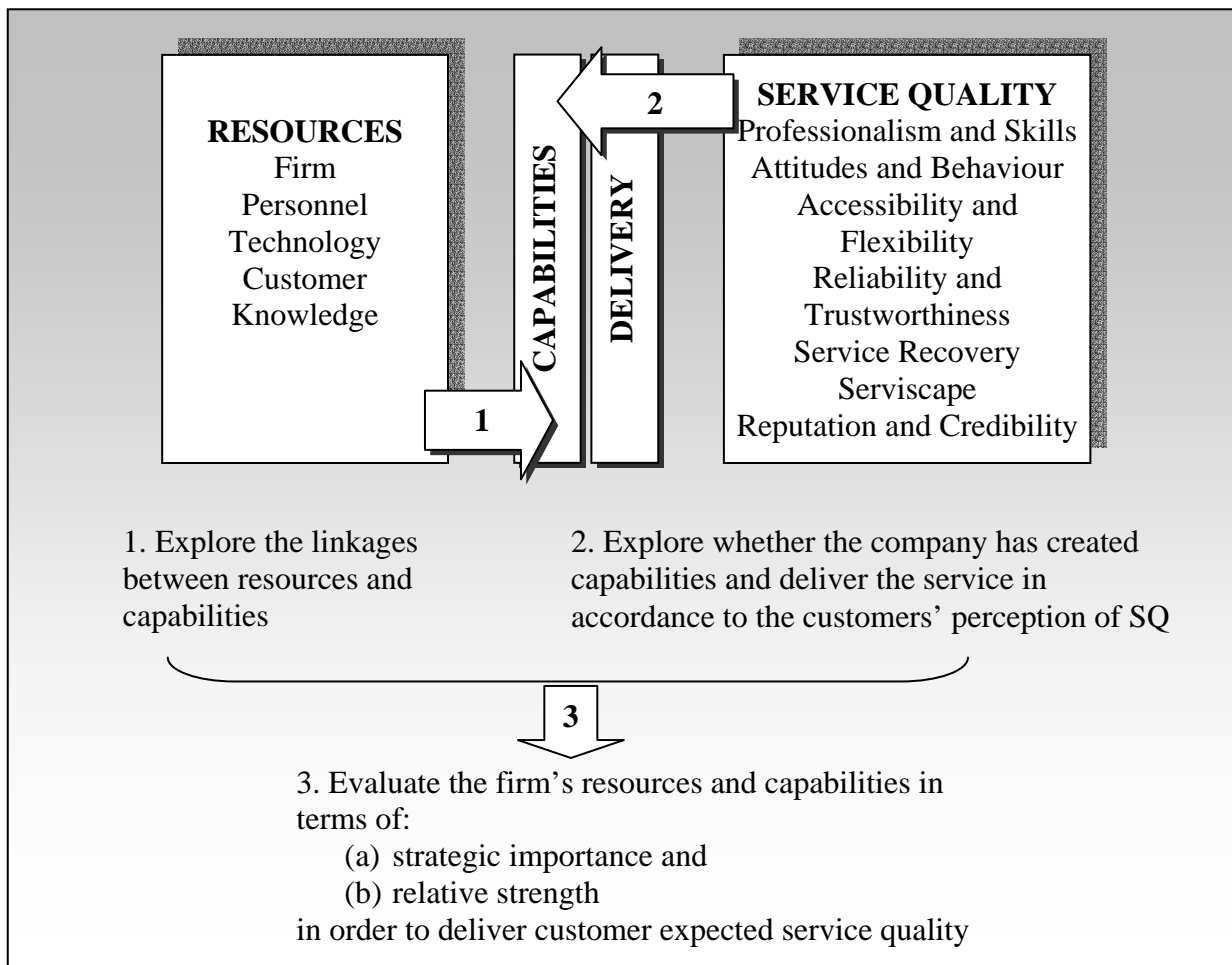
In this chapter our empirical findings regarding the relationship between SHB and their customers will be presented. The empirical findings from interviews with the employees of SHB are structured according to the relationship builders and organisational capabilities of the bank, the banks perception of services quality in terms of the seven criteria of service quality and problems and challenges facing the bank. The customer interviews are structured according to the seven criteria of service quality

To be able to answer the main problem of this thesis, three sub questions were formulated in the first chapter. In order to answer the two first sub questions in our research model (figure 1-1), this chapter presents the relationships and ways of service delivery in the case study company Svenska Handelsbanken followed by an analysis of the company and customer findings.

The findings from the case study and theory will be analysed and evaluated in order to see if there is any consistency between them. To ensure that this analysis is conducted in a logical way, we have developed an analytical model displaying the structure of our analysis, see Figure 5-1. This model indicates how the findings of the factors developed in our model presented in figure 3-7 will be evaluated and analysed. The aspiration is to understand how these factors create and affect a long term successful relationship between the actors in a post-modern context. The post-modern implications will be further developed and analysed in chapter six.

The starting point is to explore internally how the service company resources are linked and turned into capabilities. These capabilities are used to deliver the service offering to the customers. Based on the perceived service quality, customers choose to further engage and commit to a sustainable relationship. Since it is the customer's perception that determines service quality, it must also be explored if the service company capabilities and strategies of delivery are in accordance with this view. The customer involvement and influence on capabilities and delivery is possible since they are a part of the service company resources.

Figure 5-1 Analytical framework



Source: Authors own elaboration, 2003

The analytical model is used to answer all three sub questions, where the third step indicates how the resources and capabilities are used in the delivery. This is presented in section 5.7. The third step and delivery is also analysed taking the post-modern perspective into consideration, i.e. the third sub question, and is presented in chapter six. The aim of our analysis is to increase the understanding of what capabilities and strategies of delivery SHB has and what their customers regard of importance when it comes to the service quality of the service offering and relationship.

5.1 Svenska Handelsbanken's relationship builders

The resource based perspective used in order to present the case company is used since it is a fruitful way of analysing the competitive situation for the company. As stated in the theoretical framework, the resources and capabilities

are determining and explaining the success of the company from both an internal and external perspective.

5.1.1 Svenska Handelsbanken

5.1.1.1 Organisation

As stated in the earlier chapter, the organisation is divided in three layers, corporate, regional and local level. In the eyes of Handelsbanken the local office is the bank since the customer only interacts with the local office. The office can be compared to franchise entities, but with the difference that the offices do not invest any own capital. It is also the local office that has the deciding power as well as responsibility when it comes to customers.²⁶⁰

This decentralised organisation enables the local office to offer the best possible service. Handelsbanken states that without the authority to set the price, one cannot be responsible for the product. Hence, the central and regional headquarter only indicates the price of a product for the local office, and it is then up to the individual office to set the price. If lower prices and discounts are offered by local offices this is financed through the local office's own budget.²⁶¹ The branch managers are strong due to the tremendous freedom for the managers in how they run the office, and therefore they can never blame someone else, such as top management. Eklund and Wikström mention one example of the difficulty by visiting banks to understand how decentralised SHB is. One visiting bank with similar size in business like SHB and a decentralised structure had 200 employees in central credit handling while SHB have less than 10 employees acting as support at the central office.²⁶²

The organisational policy is to grow organically and not through large acquisitions. The growth of the bank is determined on the basis of the possibility to recruit people suitable to work in Handelsbanken instead of on the criteria of the bank's power and investment ability. One exception to this organic growth is the acquisition of Stadshypotek, which was one very large cash investment made by a company in Sweden.²⁶³

²⁶⁰ Björnberg (1), 2003, Eklund & Wikström, 2003, Wikström, 2003

²⁶¹ Eklund & Wikström, 2003

²⁶² Björnberg (2), 2003

²⁶³ Björnberg (1), 2003, Wikström, 2003

The local offices fund research and development at the central level and thus all projects must be motivated in order to receive funding. Consequently, it is the local offices that decide where to focus and what to develop. Indications for research and development are channelled upstream from the local offices through the regional headquarters to central headquarters.²⁶⁴ The top management and the board of directors are humble and attentive to what is happening in the organisation, small voices can be heard and increased in strength and reach the board.²⁶⁵

Information is also channelled downstream in the organisation, e.g. by the MD who writes a monthly letter to all employees concerning his views on current trends in banking.²⁶⁶

Other ways to communicate in the organisation are through formal intra-nets and through the informal networks that exist. There is a central network that everyone can access and receive and gather information about, for example current events. In western Sweden there is also a regional intra-net that not only acts as a place to download information, but is used as a forum for all the employees to express thoughts, make proposals and discuss what is taking place in the organisation. The informal networks differ when it comes to local branch employees and managers at the local, regional and central level. Branch managers interact more with colleagues at the regional level, in order to exchange experiences and to discuss future directions of the organisation. One local office that was visited has a low number of employees and the co-workers are close to each other, which makes the contact between them even more intense.²⁶⁷ Interaction between other local branches is not that usual. But through courses and training, the co-workers can interact with other employees and the human resource support unit. Another example is that a sports club within the organisation exists where it is possible to informally interact and make contacts with other SHB employees.²⁶⁸

²⁶⁴ Eklund & Wikström, 2003

²⁶⁵ Björnberg (1), 2003

²⁶⁶ Eklund & Wikström, 2003

²⁶⁷ Eksell, 2003

²⁶⁸ Employee, 2003

Figure 4-2 showing the Handelsbanken group organisation is the closest to an organisational chart in the organisation. There is no clear organisational plan, but instead the internal telephone directory is used. Wallander explains in his book that the reason for the absence of a plan is that it creates more problems than that it solves. For example, the hierarchy is made visible and any change involves all staff worrying if they have been moved up or downwards in the organisation. This could lead to difficulties implementing changes and employees conducting in “...paralysing or destructive ladder-climbing efforts.”²⁶⁹

5.1.1.2 Culture and values

Handelsbanken consider, it important for the bank to stand up for the company's values when building relationships with customers. In order to keep and develop the culture of Handelsbanken every employee receives the internal booklet “Goals and Methods” that clearly states what the company goals and values are and how various problems should be dealt with.²⁷⁰

As Wallander himself states: “[It is]...the informal steering system whose aim [it] is to hold the organisation together, so that everyone is moving in approximately the same direction and has more or less the same viewpoint about how various problems should be dealt with...’Goals and Method’ is central to this issue.”²⁷¹ It is the MD that is responsible to update and adapt this publication to meet the changes in the environment. These values are important and referred to in every aspect of the business, all the way from board meetings to the local office. Handelsbanken aims for the culture to continue living and consequently, the banks assign a mentor to all newly employed in order to receive support. Another important step in implementing and keeping the corporate culture is that SHB foster, and recruits their leaders from within the organisation.²⁷²

The culture rests on a clear idea and values that the employees should follow in order to meet the goals of the organisation. The decentralised organisation enables the employees to fully interact with the customers. The empowerment of employees facilitates the possibility to offer good services as they have the right to make their own decisions. The managers and leaders act as role models

²⁶⁹ Wallander, 2003, p.57

²⁷⁰ Wallander, 2003, Eklund & Wikström, 2003

²⁷¹ Wallander, 2003, p.70

²⁷² Wallander, 2003, Eklund & Wikström, 2003

“coaching” their personnel to develop within the organisation. The training and development programme is one of the steps to further incorporate the organisational values and culture.²⁷³ Widerberg specifically highlighted that if there is no respect and confidence internally among employees, the ability to spread the same values further to the customer in the interaction is not possible.

The development and implementation of any new solutions for the customer is not decided as traditionally by top management. Instead they are taken after initiation of the branch and regional managers based on the interaction with the customer. The regional manager states that the discussions regarding strategic issues are dwelled upon to a large extent at the top level since the decision taken should be accepted and believed upon by all managers. However, when they finally agree upon something it is easier to implement since the decision is taken based on the customers’ needs. However, the dwelling and initiation from local level to top and back sometimes slow the decision process more than wished.²⁷⁴

Since the current organisational values have been present for the last 30 years it is stable and based on tradition with a long-term goal where the customer is put in focus and the area of coverage is the immediate surrounding. Therefore the aim is not to have salesmen forcing products on customers, since this does not lead to a long-term relationship.²⁷⁵ To provide the best service at the lowest cost, the whole organisation must be aware of the costs. However, the approach is not to have temporary cost chasing periods, but a general view of thrift in daily work. Small “savings” every day grow.²⁷⁶

When Handelsbanken acquires other companies these subsidiaries adapt to the culture and decentralised way of Handelsbanken. As a result of the “new” culture, some employees decide to leave the company because their view of how to conduct the business does not fit the initiated changes.²⁷⁷

²⁷³ Björnberg (1), 2003

²⁷⁴ Björnberg (1), 2003, Widerberg, 2003

²⁷⁵ Eksell, 2003

²⁷⁶ Björnberg (2), 2003

²⁷⁷ Eklund & Wikström, 2003

5.1.1.3 Brand

The brand of Handelsbanken has been constant over the years, because the brand reflects and is characterised by the corporate culture and philosophy, which is based on the corporate values. This consistency in brand and culture can also be seen by both visitors and customers who often are amazed that no matter where they are in the company employees have the same views and answers about the company. Handelsbanken also states that there is a great understanding, among the customers about the company and its values. Companies in both banking and other industries have changed their values and existing brand due to external environmental factors and internal ones such as a merger, which have created a split image of the corporate values.²⁷⁸

Even though SHB has grown organically and through acquisition of subsidiaries and faced changes in the environment the brand has been kept intact over the years. The banking industry in Sweden has been characterised by many mergers and then also changes in company and brand names. Handelsbanken has no current plans to convert their other brands such as Stadshypotek bank into the Handelsbanken brand; instead the other brands are mentioned in connection to “a Handelsbanken company”. In the last advertising campaign the slogan “as far away from an adventure” was used to describe the consistency and tradition around the company and brand as well as to emphasise the values of trust and commitment to the customers and their investments.²⁷⁹

The brand today is not something that is seen as being separated from the organisation, but instead a part of the reputation that the bank has in the eyes of consumers. There have been no problems in connection with the bank, e.g. SHB managed to not be a part of the big financial crisis in the beginning of the 1990s and larger scandals, which has created a positive attitude towards the brand and company. Further, Eksell states that: “the brand today is not something that is seen separated from the organisation, but instead a part of the reputation that the bank has in the eyes of consumers.” Therefore, brand loyalty among the employees is nurtured through the creation of a “we”-feeling. Involvement and commitment in their work is important from all employees in the organisation. Due to the empowered co-workers they take an active part in

²⁷⁸ Eklund & Wikström, 2003, Employee, 2003

²⁷⁹ Eklund & Wikström, 2003

the thoughts, discussion and ideas around the development in order to have a belief that the “right” approach and performance is used.²⁸⁰

5.1.1.4 Financial

According to Handelsbanken, a strong financial base creates a future freedom of choice for the bank. Consequently, if the bank is financially weak this reduces the possibilities for investments and growth. Therefore, Handelsbanken sees the current financial situation as a strength, which offers them possibilities to invest further into the company and employees.²⁸¹ Presented in table 5-1 are the results of SHB for the years 1999-2002.

Table 5-1 Handelsbanken financial development 1999-2002

Year	Income	Costs	Credit losses	Net result	Change
2002	21,664	10,883	-392	10,190	-9%
2001	21,654	10,294	-152	11,208	-4%
2000	20,680	9,064	+67	11,683	36%
1999	17,056	8,668	+219	8,607	12%

Source: Handelsbanken annual reports 1999-2002

As can be seen from the table above, Handelsbanken has performed worse in terms of both net result and credit losses during 2001-2002 compared to 1999-2000.

In order to achieve the overall profitability goal it is important that the employees perform qualitative services. Former MD Jan Wallander introduced a profit-sharing system, the Octogon, in 1970. The profit-sharing system is created to motivate as well as reward the employees for work done well. The Octogon is run as a foundation that manages the profits. A large part of the profit is invested in shares in Handelsbanken. The foundation is the largest owner of the bank with a share of 10%. This means that the company can never be bought or sold without the employees’ approval. Money from the Octogon is paid to the employees from the year they turn 60. Independent of job description, all employees receive an equally large sum.²⁸²

²⁸⁰ Eksell, 2003

²⁸¹ Widerberg, 2003

²⁸² Handelsbanken annual report, 2002 p.14, Wikström, 2003

5.1.1.5 Location and accessibility

The main marketing communication channel of Handelsbanken is the great amount of local offices. Handelsbanken has this large number of offices based on the belief that the office should be visible to the customers. Also, if having a centralised organisation it would not be possible to deliver the policies and goals that are set up in the organisation.²⁸³ The offices are evenly spread over the country since that is how the customers and the money are spread. Nevertheless, an office will only be kept active if it is profitable. Further, the offices are locally placed according to where people are present, usually in connection to a city square or centre of the town. It is said that each local branch has a geographical coverage according to the church tower principle; this means that their customer exists in an area that can be seen from the top of the church. Although just being a simile it describes the local coverage of each office.²⁸⁴

Since the office is the main marketing communication channel the opening hours of the office are important as well as the possibility for customers to be able to book appointments outside business hours.²⁸⁵ However, an increase in business hours is not possible because of the additional costs of employees.²⁸⁶ It has been seen that although customers visit the offices, there is probably a larger amount of phone calls to the office than visits. The fact that the employees at the local office also have large deciding power enables the customer to get fast service since decisions can be taken fast.²⁸⁷ The local presence enables the bank to spend less on marketing. It is the corporate communications department that discusses with the different product areas how public relation material should be designed. It is then up to each local office to use this advertising. Customised product packages can also be created, for example to students, but this is however decided on and designed by the local offices.²⁸⁸

²⁸³ Eklund & Wikström, 2003, Eksell, 2003,

²⁸⁴ Björnberg (1), 2003, Eklund & Wikström, 2003

²⁸⁵ Eklund & Wikström, 2003

²⁸⁶ Magnusson & Olsson, 2003

²⁸⁷ Eklund & Wikström, 2003

²⁸⁸ Björnberg (1), 2003

As mentioned in the previous chapter, the customers can gain access to the bank through other means than the physical office. The Internet, phone and mobile phone have different solutions by which the services of Handelsbanken can be accessed at other times than the standard opening hours.²⁸⁹ Internet banking, telephone services and the office are not seen as different cost centres and departments, but as different channels of interaction that each local branch uses in its contact with the customer. This is because the offices are having full responsibility for the customers.²⁹⁰

5.1.2 Personnel

*“The Bank’s fundamental philosophy, which focuses on the individual customer’s requirements, is dependent on every employee taking responsibility for the customer relationship and the quality of the services offered.”*²⁹¹ As in any service company, interesting and capable employees are considered to be one of the most important resources for the company and its survival. It is the employees that are present in the service process and act as the link between customers and the bank.²⁹² As previously mentioned, Handelsbanken recruits employees in order to foster them in the organisation. Earlier there have been arguments that banks will become fully automated and that the offices will be closed down. However, according to Handelsbanken, it is the personal experience that is wanted in banking so this development towards a totally automated bank will never become real. However, the importance of technology cannot be underestimated, but it is still only a tool that has increased in importance.²⁹³

Further, Handelsbanken states that since the customers demand responsibility, development and immediate help the employee must have the adequate skills and knowledge. It is the employees that creates an understanding and flexible organisation, and thus the employees are allowed to interact fully with the customer and take decisions. Therefore, their responsibility increases when their motivation rises. Since the corporate culture is “unique” in every sense, an employee not sharing the values of Handelsbanken realises this within his/her

²⁸⁹ Wikström, 2003

²⁹⁰ Björnberg, (1) & (2), 2003

²⁹¹ Handelsbanken annual report, 2002 p.14

²⁹² Eksell, 2003

²⁹³ Björnberg (2), 2003, Widerberg, 2003

first five years and thus might choose to seek employment elsewhere, where the corporate culture is more in accordance with his/her view.²⁹⁴

Today the view of banks and the possibility to work in one is positive. Banking is not a process industry that aims to reduce the number of employees. Instead there is a focus on the individual that is employed and his/her needs, which strengthens the role of the individual. Trust and respect for each individual is necessary in a decentralised organisation with customer responsibility such as Handelsbanken.²⁹⁵

5.1.2.1 Skills/know-how

There are no specific demands of competencies when hiring employees, but it is preferred that they have an academic degree. The most common academic degrees in SHB, according to branch manager Eksell, are either a business or law degree. SHB sees a strength in employees having an academic degree since this enables the employee to more easily profit from the internal training and development. Even though SHB seeks to employ individuals with academic degrees, there other competencies that are important as well. The employee must have social skills and be able to communicate with the customer, further these skills are also important in terms of cooperating well with the other employees at the local office. It is also important that the employees have the ability to convert their theoretical knowledge to practical skills that are useful in their interaction with the customer.²⁹⁶

The employees interact and communicate with the customer in the daily contact and develop the skill to read what the customer wants and needs.²⁹⁷ It is also important for the employee to clearly state to a customer if they cannot solve a customer's problem with the existing services, instead of offering some other product/service that is not sought for by the customer. Hand in hand with this, advice should be given that is best for the customer even if it contradicts the opinion of the customer. However, it is always the customer that makes the final decision. An honest behaviour from the bank is important in order to gain

²⁹⁴ Eklund & Wikström, 2003

²⁹⁵ Björnberg (1), 2003, Widerberg, 2003

²⁹⁶ Eksell, 2003

²⁹⁷ Employee, 2003

the customer's confidence and trust to create a sustainable relationship that both actors benefit from.²⁹⁸

Since the 1990's the bank has also tried to become more proactive towards the customer and thus both developing as well as offering new solutions instead of waiting for the customer to ask for them. The offerings are not made through aggressive selling of solutions, but through adapting the offering to what the customers actually needs. This customer relationship management approach has been used in the 1970s. However, it is hard to have this approach to one hundred percent since it is easier to discuss products instead of focusing on the customer and his/her needs, but it is the aim of the bank to always have this approach.²⁹⁹

5.1.2 Development of skills and knowledge

Much emphasis is put on the development process of each co-worker during his/her employment in the bank. Personal as well as competence development are important for the development of the business operations. According to both Wikström and Widerberg, education and training is the only way to constantly increase the productivity. Handelsbanken define competence as "... the ability to acquire, use, develop and pool knowledge, skills and experience."³⁰⁰ This means that competence is not only taking courses at learning institutions, but to share and develop the competence in daily work with all the other employees.³⁰¹

Handelsbanken tries to inspire the employees, which in turn lets them motivate themselves. The bank then tries to find what each employee's talent is and develop it. The wishes of the employee when it comes to his/her own development usually fits with values and wishes of the bank. However, they may have to work for a few years in departments that do not interest them. Today as employees are becoming older an important issue for the bank is to motivate employees that, for some reason, have lost their enthusiasm. This is usual among employees between 50-60 years.³⁰²

²⁹⁸ Björnberg (2), 2003, Eklund & Wikström, 2003

²⁹⁹ Björnberg (2), 2003, Eklund & Wikström, 2003, Wikström, 2003

³⁰⁰ Handelsbanken annual report, 2002, p.14

³⁰¹ All interviewees at SHB

³⁰² Björnberg (1), 2003

Handelsbanken also motivates its employees with a competition, based on result, between each region. This competition makes all the employees want to perform better and consequently they can never sit back and relax. The selection of result as a base for the competition, instead of sales, reflects the banks view that neither result of the individual customer or product is important. Instead the focus is on how satisfied the customer is since this enables long-term sustainability. To measure this, the bank do conduct own surveys (initiated by local and regional level) as well as using the SKI-index. Lately the Western Region has scored lower than the rest of Handelsbanken in this index, and must therefore work to reverse this trend.³⁰³

Earlier the bank manager used to be the one that dealt with potential customers. Today it is different and every employee must be a businessperson while the manager has become a coach. Therefore, every employee of Handelsbanken takes part in a planning dialogue and performance review (PLUS). The PLUS has been conducted in the company for 10-15 years but is taken more seriously today. The PLUS is usually conducted in January, and results in long-term achievement plan as well as a short-term action plan, which is an education plan that also consists of set targets in terms of individual responsibilities that cover the coming year.³⁰⁴ The PLUS and the action plan are structured around a numbers of areas where key issues of consideration are professional and proactive attitude, quality and common sense. The manager and employee make a rating in each of the following areas that serves as a starting point of the discussions:

- Corporate culture
- Initiative and target orientation
- Communication abilities both written and oral
- Cooperation with other employees
- Ability to change
- IT
- Products and services
- Profitability
- Routines and rules

³⁰³ Björnberg (1), 2003

³⁰⁴ Björnberg (1), 2003, Employee, 2003, Widerberg, 2003

The action plan is constantly reviewed over the year. By the end of the year the action plan and the development of the employee is reviewed. This result will then be incorporated into the individual salary negotiations since if the employee has a positive development this will contribute to the banks service quality and should therefore be reflected in the salary. The salaries in Handelsbanken are not negotiated on a central level but are instead individually negotiated between the employee and his manager.³⁰⁵

The employee training, which is an important part of the action plan, has shifted away from traditional views where certain courses should be taken, and where the employees only stick to the courses offered. Today training and courses are only taken on the individual's own initiative, driven by their desire to develop themselves. The training is then planned by the employee themselves. No courses should be taken because they might be needed. There is a mix between theoretical and practical training taking place both in the local office as well as at other locations. Training can also be conducted by taking on more responsibility or demanding customers, customer visits or even lead training courses. This kind of development, where the employee learns and trains every day is becoming more emphasised since it better fits to the purpose of training, where the employee should perform well at all times.³⁰⁶ Even though each individual should take initiative, the learning process is continuous since knowledge is shared in daily work among co-workers as well as through the individual plans set up through PLUS-dialogues.³⁰⁷

One current example of competence development from the branch office visited was the need to become a salesmen by improving the capability of offering needs-solutions for their consumers. The training and development consisted of theoretical reviews and sales techniques training at the office, exchange of prior knowledge from co-workers and as part of individual action plans.³⁰⁸

³⁰⁵ Björnberg (1), 2003

³⁰⁶ Ibid

³⁰⁷ Eksell, 2003, Employee, 2003

³⁰⁸ Eksell, 2003

5.1.3 Technology

When it comes to technology Handelsbanken states that it is important but it does not create the competitive advantage. This is because the technology is generally the same in banks and therefore only a short term competitive advantage can be created from technology. Thus, the aim of Handelsbanken is not to take a lead position in technology but to follow and be good enough.³⁰⁹ Therefore, the technology does not have to be used just because it exists and is available, and consequently technology is not seen as a driver. Instead, it is the demand created by the customers in the local offices that drive the development and usage of technology. When developing new technology the focus lies in the big picture rather than focusing on the benefits of a single solution.³¹⁰

5.1.3.1 Equipment

The technological systems of SHB generate information on what products and services are used by customers. This data is stored in a central data warehouse. Other soft data about the customer is stored in local databases at each local office. All customer data, both locally and centrally stored, is later processed in the CRM-system in order to manage the relationship to each individual customer. The purpose of the CRM-system is to enable the bank to have a proactive behaviour towards the customer. The problem for Handelsbanken does not lie in warehousing the data, but to turn it into business intelligence which is turned to qualitative services for the customers. The warehouse does not in itself search for information and create intelligence. Instead it is the local offices that create questions like e.g. what customers use product X and Y but not Z? If the local office identifies a certain question and does not know how to excerpt the information, the support functions at the central office helps to create the technical solution for it. The local offices can only access information in the warehouse that is connected to their area, i.e. their customers. The central and regional level can however access all information if national or regional information is needed.³¹¹

³⁰⁹ Björnberg (2), 2003

³¹⁰ Eklund & Wikström, 2003

³¹¹ Björnberg (2), 2003, Wikström, 2003

5.1.3.2 Technical solutions

Handelsbanken has chosen to develop a technical solution, which aims to develop customer information. Other banks have chosen to develop solutions that aim for, e.g. accounting; this is however not done by Handelsbanken. The technical solution used by Handelsbanken is called Vendimo. The CRM-system uses the centrally and locally placed data as an information source. Handelsbanken strives for a solution which is customer based and supplies all information about the customer rather than having systems that are connected to specific product areas, for example one system listing customers with loans and another one which lists customers who have funds, which is the case in the bank today. The same software is used throughout the organisation, but is locally adaptable both in terms of which questions that can be asked, as well as the actual user graphics. This is important since the employee must be able to handle the amount of 300-400 products and several service areas which makes the user a generalist and not a specialist. Hence the technical solutions must fit the organisation and every employee should be able to use it.³¹²

The business intelligence can be used to be able to identify groups of needs and offer solutions as well as seeing individual needs. The technical solution offers the employees the possibility to either have information available about one single customer, called the customer image, or certain investigation tools that enables the bank to initiate activities with the customer. The customer image presents information such as current loans, funds insurance, payments, etc. and is used when the employee is working with a specific customer. The investigation tools are used to obtain information which can tell the bank which customers to build relationships with, and also to foresee coming issues in customers business, i.e. this specific customer will soon graduate and will demand and need other products and services. Since the bank is not segmenting the customers according to profitability this is not incorporated in either the customer image or the investigation tools.³¹³

As can be seen above, central and regional levels claim that no segmentation is done based on profitability and therefore profitability is not incorporated in either the customer image or in the investigation tools. However, we have learned that the customer image uses profitability in order to calculate which

³¹² Björnberg (2), 2003, Wikström, 2003

³¹³ Björnberg (1) & (2), 2003

customers to be designated to have a personal bank contact. These customers are called EKA “eget kundansvar”, i.e. own customer responsibility, and will be further described under section 5.2.4 customers.³¹⁴

In terms of customer-used technology the focus lies on the Internet, which has shown to have an increased importance. The Internet banking area is currently being developed but is not seen to replace the local offices in any way. Instead the Internet bank is seen as a channel to the local office. The reason for taking this approach is that Handelsbanken thinks that each local market is different from the others. There is currently no knowledge in the bank of the division between on one hand the Internet bank usage and on the other telephone calls and personal visits to the local offices.³¹⁵

In addition to the Internet, Handelsbanken also offers the customers the opportunity to use Datasvar, the computerised telephone system explained earlier. There have been attempts to offer the customer a support centre by the phone where they could call and have someone do their banking for them. However, this solution did not work well since the customers, when calling, still wanted to talk to someone at their local office. Consequently only one region uses this solution today.³¹⁶

When offering customers new technological solutions, such as the Internet banking, Handelsbanken states that it is important to do so with a focus on the actual benefits for the customer. The knowledge about what solutions that exist must be communicated, especially if these can make it easier for the consumer.³¹⁷ In the technological development Handelsbanken is never first in adapting to new solutions and other news. Instead, the development is discussed with the local branches and implemented after the organisation feels that it is needed and demanded. This approach to development makes it possible to more easily implement the change since it is something executed through their involvement, discussion and debate. Few things are implemented just because they exist on the market. However, there is one exception to this. The bank was the first to introduce services through mobile Internet and WAP

³¹⁴ Magnusson & Olsson, 2003

³¹⁵ Björnberg (1), 2003, Wikström, 2003

³¹⁶ Eklund & Wikström, 2003

³¹⁷ Employee, 2003, Eklund & Wikström, 2003

without being able to clearly explain the reasons for it. The use of the service is relatively small.³¹⁸

5.1.4 Customer

5.1.4.1 Customer view

When dealing with the customer the bank looks to the individual and does not make any difference between customers. Therefore, the customer should always have a feeling that he/she is welcome into the bank, and that the best is done for them by the employees. Nevertheless, customers are put into different categories when proactive contacts are taken by the bank.³¹⁹

The bank acknowledged the general division that twenty percent of their customers stand for eighty percent of the profits. However, the actual situation in the bank could be said to rather be a 10/90 division instead, where ten percent is critical to the profitability.³²⁰ The important issue is that all profitable customers should be satisfied, seeing that these ten to twenty percent of the customers are never dissatisfied and are offered a personal relationship. The profitable customer of interest does not need to give SHB incomes calculated in exact numbers/money. It can be a strategic person with a broad network of other contacts that can be of interest to have for the bank, e.g. businessmen or other local personalities. Potential for positive word of mouth, acting as an ambassador for SHB and the ability to see the long-term value of the customers should determine the profitability, e.g. see the potential value of a student, rather than their current situation, which is not beneficial for the bank.³²¹

A personal relationship means that the bank and the employee must know this customer well, not only in terms of the banking business but also e.g. saying hello in the street or knowing which hockey team the customer supports. Constant communication with the customer enables the desire of the personal customer. There can never be any mass offerings sent to this customer; instead each message must be adjusted to fit the customer. The other eighty percent of the customers should be approached by an analytical CRM approach. This means that the bank wants to identify group of needs among these customers

³¹⁸ Björnberg (2), 2003, Eklund & Wikström, 2003

³¹⁹ Björnberg (2), 2003

³²⁰ Björnberg (2), 2003, Wallander, 2003

³²¹ Björnberg (2), 2003, Eklund & Wikström, 2003

and create solutions to satisfy them.³²² However, the difference between personal relationships and analytical CRM is not that obvious at branch offices yet. The models and methods of this need further refinement and development.³²³

SHB states that no segmentation of customers is made according to what products and services that are used, e.g. Internet customers are any customers communicating with the bank through one of the automated processes. However, some customers are labelled “own customer responsibility” (eget kundansvar EKA) and given a personal bank employee. The determinant of an EKA customer must be adapted to each local branch since the conditions are different at every local market.³²⁴ However, the main determinants are the customer’s business volume, the difference between interest rate given and received and the time spent on the customer. There are also other customers that are labelled EKA because of their importance to the bank, as mentioned above, where e.g. the ambassadorial value is considered important.³²⁵

The difference between the bank’s approach towards the EKA customer compared to other customers is that the bank selects to have a much more proactive behaviour in the relationship. How this done is decided at each local office. However, the desired approach sought for by the company is to meet the customer at least once a year in order to establish the customer’s needs and create solutions that can satisfy these. When establishing the needs of the customer several aspects are taken into consideration, ranging from the customer’s current work situation, education and family situation to assets, debts, risk aversion and expectations. This information enables the employee to analyse what is needed for the customer, which is then turned into an action plan about what should be done until the next meeting.

Historically the EKA approach has been used on a small percent of the most profitable customers, the bank is however currently trying to implement this to a broader range of customers by having more employees working according to this structure described above. If a customer who is not labelled EKA wants

³²² Björnberg (1), 2003, Eksell, 2003

³²³ Eksell, 2003

³²⁴ Björnberg (2), 2003, Eklund & Wikström, 2003

³²⁵ Magnusson & Olsson, 2003

this kind of review of their economy they have to initiate the contact themselves, in which case they will get it.³²⁶

5.1.4.2 Involvement and interaction in process

The bank offers a set supply of products and services with different alternatives that customers can choose from. It is in this aspect that the customer can interact and have the freedom to, in cooperation with the bank, determine which of the solutions that suits him/her the best, e.g. there are several kinds of loans or funds depending on investment size and purpose of savings/loan. In this sense the customer receives a completely customised offering adapted to the individual need.³²⁷

Handelsbanken strives to interact personally with their customers as much as possible, due to the focus on local branches and personalised offerings. One clear example of where the customers interact and become more involved in the process is when they provide complaints about the service. Banks in Sweden are bound by law to report any customer complaints upwards in the organisation. Handelsbanken views the process of complaints as a way to further improve its service.

Customers are asked to first provide their local office with the complaint. The customer has the right to receive an objective and correct explanation, both orally or in writing. If the bank cannot provide an answer within two weeks it must give a status report about the matter to the customer. If the answer is not considered satisfactory the customer can turn to the regional office or further to either The National Board for Consumer Complaints or to a court of law.³²⁸

Complaints are seen as something that could be turned into a positive thing by SHB. The bank currently tries to incorporate the complaints into the CRM process, not by using surveys but by having a direct dialogue with the customer, and asking if the customer feels that SHB delivers what the customer expects them to.³²⁹

³²⁶ Björnberg (2), 2003

³²⁷ Eksell, 2003, Employee, 2003

³²⁸ www.handelsbanken.se, Eklund & Wikström, 2003

³²⁹ Björnberg (1), 2003, Eklund & Wikström, 2003

5.1.5 Knowledge

5.1.5.1 Business intelligence

Business intelligence about the environment, such as competitors and the industry, is achieved in different ways. The SKI report gives an overview of the customers and what implications it has and will have in the future on the market. During the interviews the employees could refer to events and actions done by competitors. When it comes to CRM, Wikström and Eklund mention several conferences that SHB have participated in with other international banks in order to exchange experiences and gain new knowledge. However, much of the business intelligence is connected to the knowledge about the customer, since the goal of the organisation is to satisfy the customers.

5.1.5.2 Knowledge about the customers

Without knowledge about customers and needs, the right offering can not be proposed. The bank wants to be able to follow the stages of the customer's different lifecycles and development, from becoming a student to getting a job, needing a loan for a house, etc. In this case Handelsbanken is supposed to be included and offer the solutions necessary for them.³³⁰

SHB states that the knowledge about the customer is decreasing due to the fewer occasions to interact with the customer personally. Because of this the CRM-system can be used as an aid in obtaining this knowledge. The purpose of gathering this information is to be able to first understand the needs of the customer and then to help the customer satisfying the needs. However, the information which is derived from technology must in some way generate a profit for the company in order to justify the different costs associated with the time invested. Unless this profit is generated, the amount of time spent on finding the information could and should instead have been used in the customer interaction.

The knowledge about the customers is also spread in a status report published by the central unit in the monthly company magazine that all employees must read. This information is provided through the regional managers from employees at local level gathering information from interacting with customers.

³³⁰ Björnberg (1), 2003

However, the regional managers choose themselves which issues they wish to highlight.³³¹

It is repeatedly mentioned by the interviewees at SHB that one important function of customer knowledge can be seen in the process of approving credits. This is made at the local office where the employees have the knowledge about the local conditions of the market and know the customer. If the local office, and thus an individual bank employee, denies a credit, the regional or central headquarter should not intervene and change the decisions. There is nevertheless a top level of credit where the manager of the local office must get approval from the regional headquarter. The same rule applies for the regional headquarters, which at certain credit levels must get approval from the central headquarters.

Being close the customer offers SHB the advantage of being able to know what the customer wants, and approach them at their level. Any office in the network of branches will and should help a SHB customer with the services they need. However, since the local presence has enabled the employees to create knowledge about the customer and its environment, it is regarded that advice for more detailed and specific issues will probably not be as qualitative as possible for the customer.³³² Another example where the customer knowledge is visible is that SHB wants to trace unnecessary behaviours among their customers that could be solved by offering more simple solutions, e.g. one customer has 20 cash withdrawals in one month and could probably benefit more from having a charge or credit card for payments instead.³³³

5.2 Organisational capabilities enabling the relationships

In the interviews the respondents were asked to identify the capabilities of Handelsbanken that are important in order to deliver qualitative services and create relationships with its customers. Executing the strategy and actually doing what the customer wants were the answers received from all the respondents.

³³¹ Eklund & Wikström, 2003, Wikström, 2003

³³² Employee, 2003

³³³ Björnberg (1), 2003

The overall strategy and goal is to be the most profitable bank and have the most satisfied customers through qualitative services. The emphasis lies on Handelsbanken as a universal bank and no single area of the bank or single service is emphasised, instead it is the total service offering from the bank that counts.³³⁴

According to Björnberg, the ability to execute the SHB strategy is something that is vital to be able to do in the banking industry. He also states that the bank is better than competitors at delivering experience and service better than expected by the customer in the personal meeting. In this case the importance of how the service is delivered to the customer is more significant than what the actual strategy is. Therefore, the bank focuses on having a logical and human reasoning approach towards the individual by having a basic view about how things are done and then adapting this view to each customer. Thus, the focus lays more on actual performance than on strategy and the bank does not engage in long term planning and strategies but rather focuses on a long-term view of its customers and employees. Since the bank wishes to follow the customer through every stage and development in his/her life, this is executed through the use of technology.³³⁵

However, during the collection of the empirical findings we have been able to identify four main capabilities at Handelsbanken: *unique organisation and culture*, *developing employee competences*, *company systems* and *local presence* based on the present resources in the organisation.

5.2.1 Unique organisation and culture

It could be argued that the organisational structure and the way issues are handled make the company unique and offer advantages in relation to competitors. Unlike traditional banks SHB does not see the different communication channels as cost centres, but ways for the local office to reach its customers. In order to fulfil the demands of customer-orientation, the organisational structure must, as proposed in the theory, facilitate the possibilities for the employees to interact with the customers. Since the employees at the local offices should be generalists providing solutions to the

³³⁴ Eklund & Wikström, 2003

³³⁵ Björnberg (2), 2003

customers in place, it is not possible to have all kinds of expertise present at the branch level, which is implied at SHB through the structure where the regional offices and the central units give input when more complex issues arise, e.g. legal help.

Further it can be argued that the organisation of SHB is, in comparison to other bank structures, considered to be smooth and with levels of bureaucracy being perceived lower by both employees and customers. Also the decentralised organisation enables the decision power to be a step closer the customer, which arguably allows avoidance for employees to forward decisions as well the blame for mistakes upwards in the organisation. Further, it is seen at SHB that the management sometimes moves the decision making upward, e.g. with larger credit approvals, which could indicate that even though the decentralised organisation enables greater knowledge about the customers and the local conditions, the central level has a clearer view of the situation in general and hence can contribute with their expertise.

The SHB culture is unique in many aspects and clearly complies with the theory around organisational culture. In terms of the culture, the ideal goal of SHB is to be profitable and have the most satisfied customers where the dominating idea and values are transmitted through e.g. Goals and Methods and the mentorship from a senior co-worker at the beginning of their employment. The managers are seen as role models coaching the employees to reach success and implementing the expectations and values of the organisation. The culture is further strengthened by the internal recruitment of both employees and managers, since it enables the values to “grow” in a person and thus remain in the organisation.

Even though the culture has been present since the 1970's, there is an adaptation to the events occurring in the environment, since the MD constantly needs to update the goals and methods of the organisation. Further, adaptations, development and implementation of any new solutions are initiated by the local offices perceiving changes in the customer interaction. However, the dwelling and demanded agreement before initiation, which are easy implemented but slows the decision process, could impact negatively if the organisation faces rapid external changes that need quick decisions.

5.2.2 Developing employee competences

The ability of SHB through the organisational structure and culture, leadership and PLUS-programme to educate and develop individual employees with competencies to implement and execute the strategy seems to be important and necessary for success. According to our findings, the employees believe that the culture and leadership provide a positive environment, both in terms of structure and motivation, emphasising education and development, which indicate that SHB wishes to prepare its employees with the necessary skills to manage the customer interaction in a way that positively affects the relationship quality. The recent investment by SHB on developing the employee skills and professionalism with regard to selling needs-solutions implies that SHB management take actions according to the fact that services and products offered by the bank are not different from others, but instead it is the competence of the employees that determine the satisfaction of customers based on the interaction with the employees.

Further, the empowerment of employees and competence development includes making mistakes as a part of the process to develop competencies. Through the aspiration to recruit future leaders within the organisation, it should be clearly visible for the employees that it is “allowed” to make mistakes and hence the faith and satisfaction in employees rise, which according to the theory leads to increased customer retention.

5.2.3 Company systems

The empirical findings concerning the importance of technology support the statements in the theoretical framework. Further, the company systems at SHB can be argued to constitute a competitive advantage since the centrally built system is adapted to the decentralised organisation and therefore enables SHB and the employees to sustain the customer-orientation in order to meet the specific customer demands. The system is, according to our findings, also user-friendly, which indicates that the employees are able to use the systems in a way where the communication between the customer and employee is enhanced and focus is put on the customer needs. Hence, a link exists indicating that the company system supporting the employees in the customer interaction needs to have the same decentralised and customer-oriented structure as the organisation and culture.

5.2.4 Local presence

As already mentioned under the unique organisation and culture, one of the bank's strengths, due to the organisational structure, is the ability to convert its knowledge to suit a specific local market. It seems like the closeness and personality in Handelsbanken acts as a guarantee for the possibility to offer the experience and service of Handelsbanken.

The local presence can be argued to provide a feeling of safety and trust with customers, since there is a proximity to the local office. Further, it could be argued that the local presence enables improved accessibility adapted according to the needs of the customers in the local market as well as providing them with fast service, since the decentralised organisation empowers the employees. However, is the local presence and strive for local knowledge in the network of branches always beneficial for from the customer perspective? Is it possible that occasions may occur where a SHB customer entering another branch might not receive the service he/she is used to, especially if it is an EKA customer?

The local presence seems to enable SHB to give the individual customers a feeling of being more visible by offering customers solutions that are adapted to their needs and hence increasing the perception of service quality and enabling trust and satisfaction. The technological development has been initiated by the customers' demands of accessibility, but at the same time the moments of personal service encounters decrease, as well as the possibilities for SHB to manage these service encounters where the customer is determining the future relationship with the company.

The local presence of SHB implies that even though their strategy is to offer personalised relationships to the 20% of EKA customers representing 80% of the profits, the possibility to satisfy the other customers' needs and have close relationships are possible without additional marketing efforts. This allows SHB not to need to spend any large financial resources on advertising or info material. Hence, it can be argued that SHB is gaining profit due to the customer retention.

5.3 What is qualitative service and customer demands on the bank according to SHB

5.3.1 Qualitative service

In the interviews qualitative service according to Handelsbanken are summed up in the following points.

- | | |
|--|--|
| ▪ Closeness (personligt bemötande) | ▪ Profitability |
| ▪ Individual service, with no labelling or grouping of the customer | ▪ Accessibility |
| ▪ The service should reflect the bank that is reliable and trustworthy | ▪ Flexibility of the bank to adapt to customer needs |
| ▪ Meet the customer's needs, with no extreme selling | ▪ "Pleasant attitude" ³³⁶ |
| ▪ Satisfied customers | ▪ Lifetime value |
| | ▪ Personal |
| | ▪ Professional |

According to Widerberg, it is always important to remember that an individual's financial situation is something important and that there are strong emotions attached to this. As a simile Widerberg states that "*...a persons wallet is always kept in his jacket close to his heart, that is how it is with money*".³³⁷

It is the how well employees manage the moments of truth in their interaction with the customers that determines the level of service quality. When delivering the service in a nice, correct and personal way and adding the little extra to the customer, that pleasant attitude and the other service quality criterions meet expectations. The most reoccurring criteria, when Handelsbanken analyses customer demands and quality is a pleasant attitude.³³⁸

Most satisfied customers and profits should be achieved through delivering the best service at the lowest cost. According to Björnberg, the expectations of the customer have changed over the years. Today the bank must be more proactive towards the customer and tell them what they need. Björnberg's personal opinion is that the post-modern customer demands the bank to tell them what they need and give them the best solution to that "problem". Instead of

³³⁶ The Swedish expression used is "trevligt bemötande", but due to the lack of an exact translation in English we choose to call it pleasant attitude in the interaction process. This is the main reoccurring criteria

³³⁷ Widerberg, 2003

³³⁸ Björnberg (1), 2003

focusing on groups of customers, as was done before, today the focus lies on the individual customer. SHB believes that they meet these changes in customer expectations due to independent surveys stating that their customers are the most satisfied. Further, the customer demands more availability, which can be seen in the extended business hours as well as offer solutions such as banking over the telephone or the Internet. The customers today are also more informed and demand a broader range of products and services that require higher quality, compared to earlier. This change also impacts the employee skills and professionalism when meeting with the customers.³³⁹

The branch manager considers the employees to be very flexible when it comes to the freedom to offer and adapt to the customer's demands. The employee has an obligation to both the customer and bank to conduct the work correctly. Through empowerment, judgments are made from each situation to offer the best solution for all involved actors and therefore no locked limits exist.³⁴⁰

The customer's need is always the starting point in the organisation, which gives Handelsbanken a pull strategy where the service offerings are based on what the customers wants. This differs from most of the other banks that instead use a push approach where the customers are offered necessary and unnecessary services all the time. This pull strategy can be seen in the sense that the product departments and subsidiaries of Handelsbanken are not allowed to offer or approach the customer in any way themselves, since it is the local office that "owns" the customer and hence interacts with them.³⁴¹

Service quality is to meet the customer's needs and surpass customer expectations. Employees need to be able to gather all necessary information in order to ensure a correct final offering. It is believed that the typical SHB customers value competence and delivery of qualitative products and services in personal relationships.³⁴²

Reliability and trustworthiness for SHB, the employees and systems are created by good conduct and correct actions according to moral, ethics and legal rules.

³³⁹ Björnberg (2), 2003, Employee, 2003

³⁴⁰ Eksell, 2003

³⁴¹ Björnberg, (1), 2003

³⁴² Eksell, 2003, Employee, 2003

This means that the employees should act as role models, the systems should be trustworthy and acting with customers' interest at heart. Offering solutions that are not of any need for the customers does not give extra points or show feelings of sincerity.³⁴³ The way the customer is treated and the fact that the employees have the competence and can show and create confidence in knowing how to solve customers problems are also of significance.³⁴⁴

Service gaps that occur due to failure of delivering the expected service are easier to correct in a satisfactory manner to the customer throughout the organisation by being close to the customer and having a customer-orientation. Handelsbanken states that they work to prevent service gaps by trying to do their best in each interaction. With the customer focus approach the bank and its employees have the ability to have a constructive dialogue with the customer and receive the feedback needed to develop the service to fit the customer's needs.³⁴⁵ In Handelsbanken this dialogue is the main channel for feedback instead of customer surveys. Even though the bank feels that they are better than other banks in having this dialogue, they state that the bank is not good enough. The empowered employees are seen as a reason for the high level of dialogue in the service interaction. The employee authorisation and feeling that they can affect the customer's situation create a greater interest in the customer. This authorisation also prevents the employee from blaming mistakes on others, such as the management, and thus the employee must know the customer.³⁴⁶

Problems and issues occurring in the service process should foremost be solved at the branch office level. Usually the problems are small, but should be handled without any prestige in the picture when making sure that a solution, satisfactory for both actors is found. According to Eksell, very few issues are taken further up in the hierarchy, but if it occurs it is due to issues characterised as legal or position of principle that are out of the control of the local branch office. Often the expectations of the customers are not reasonable and therefore problems occur. Having a discussion in the initiating stage of a relationship

³⁴³ Eksell, 2003

³⁴⁴ Employee, 2003

³⁴⁵ Eklund & Wikström, 2003

³⁴⁶ Björnberg (1), 2003

with customers is the best way to ensure that future differences between the expected service and possible are eliminated or reduced.³⁴⁷

Sine the number of personal interactions have been minimised, the customer must feel comfortable and welcomed into the bank. The visited office has been refurnished in order to create a more inviting and pleasant surrounding, where the customer can get a more private feeling in the process interaction. There is a feeling that not only does the customer feel more at home now, but the way of working for the co-workers has improved. The atmosphere has been affected and is more easy-going where they have fun and consequently this is also noticed by the customers.³⁴⁸

At the local level both interviewees state that the customers are not always aware of the values that SHB stands for and wish to communicate. Most have the general knowledge and are satisfied with that information. The branch manger believes that a split exists where some make a conscious choice when determining what bank to use while some do not care at all about company values.³⁴⁹

Björnberg believes that promoting a self-image in banking is only important to a small number of people. Instead, the transmission of a specific image is more important when it comes to more shallow things such as selecting which car to have or clothes to wear. The former MD Tore Brovald once stated that the customers always look for safety in banks and thus a bank and banking is nothing more than creating and offering confidence. This should always be remembered and in that sense if an individual is seeking a “cool” bank Handelsbanken will probably not be able to satisfy this. Instead, Handelsbanken offers long term safety as well as being a bank that believes in you as a customer. When looking at wealthy people Handelsbanken is an alternative, however as stated in the competitor section, there are other banks that have a greater focus on such individuals.

Björnberg thinks that the customer is tied to Handelsbanken by feeling good about his/her local office. It is the local office that delivers the core values in a

³⁴⁷ Eksell, 2003, Employee, 2003

³⁴⁸ Ibid

³⁴⁹ Eksell, 2003

good way. People may however have a more negative picture of both SHB and other banks in general, but the local offices are still seen in a positive manner. This positive view about SHB is enabled by the empowerment in the organisation, which gives the local office and its employees the possibility to solve problems immediately with a customer instead of hiding behind paragraphs and other management in the organisation. The employee at the local office does not think that image is unimportant. However, it is more the image of the company rather than promoting self-images. SHB needs to be able to show safety, stability and inspire trustworthiness.

When trying to satisfy the need of its customers it is always easier to give a broad more correct view if the customer has all his/her banking activities linked to SHB.

Even though Handelsbanken receive top rating in surveys asking which bank the respondent would switch to if he would switch, this does not happen often. Handelsbanken thinks that this is because the customers from other banks are aware of what service they get from their current bank and are unlikely to switch into the unknown and try to rebuild a relationship. Also people are comfortable and see “large” practical matters in the small things such as having to memorise new account numbers, pin codes, etc. Further, few people are aware of exactly how easy it is to switch banks, since it is the banks obligation to arrange all practical matters such as transferring of money. In general there is currently a customer turnover of around four percent. The main reason for customers to switch their bank is believed to be that they are dissatisfied with the attention that is paid by the bank towards their problems and situation.³⁵⁰

Today there is only one large obstacle for switching banks in Sweden, which is the fact that funds may not be transferred automatically between banks, but have to be sold and then reinvested into funds at the new bank. This purchase/trade situation is subject to extensive taxation and thus the main obstacle is imposed by the government. If the customer wants to switch within the different Handelsbanken subsidiaries, this can be done without having to sell the funds or pay any fees.³⁵¹

³⁵⁰ Björnberg (2), 2003

³⁵¹ Ibid

5.4 Problems and challenges facing SHB

The problems that Handelsbanken faces in creating relationships and delivering qualitative services has to some extent already been mentioned in the text. Even if the company is rated as best bank with most satisfied customers in independent surveys, the respondents mention that they do not provide excellent service and that there must be constant revision of customers' needs and steps for improvement. According to Eklund & Wikström, SHB knows how satisfied their customers are but they do not know exactly what it is that creates this satisfaction. The abovementioned factors are the ones created and perceived by the employees in the organisation.

Even though the customer cannot solve all their problems through an indirect communication channel and thus some personal contact always exists it is still not known how the indirect customer value pleasant attitude compared to the customers that are using the local offices or if they value it at all. If this feeling is important in the non-personal interaction it is not known how to incorporate this attitude in the channels. Much time has been spent thinking about this issue, but still the bank does not know how much focus to put on the issues since no actual investigation about what the customer using these impersonal channels wishes. It is not known if the customers want the feeling of personal contact through e.g. Internet, but still SHB tries to enable these feelings through having the Internet service directly connected to the customer's own local office.³⁵²

Many of the current problems are how the relationship with the customers is affected by the increase in impersonal communication channels and the development of technical solutions. Handelsbanken does not know if the customers using indirect channels are having demands that differ from the customers interacting through personal relationships.³⁵³ With less personal contact the opportunities for feedback and control of the service are minimised and the bank needs to work on their capability to find out in the few personal interactions what the needs and wants of the customer are.³⁵⁴ None of the interviewees had a solution for how to exactly capture the personal interaction where employees can manage the moments of truth and create positive results

³⁵² Eklund & Wikström, 2003

³⁵³ Ibid

³⁵⁴ Björnberg (2), 2003, Eklund & Wikström, 2003

in the indirect communication channels. The local approach of the Internet page was identified as giving some degree of customisation and interaction. However, Eksell sees that the future will demand a greater degree of interaction, but due to his low knowledge in development of technology, he finds it hard to be more precise in how to achieve it.

The different channels to communicate with the offices and get their services offerings delivered have been developed by the bank since they are aware that not all customers wish to have a personal interaction every time a service needs to be consumed. All the ways of delivery that are wanted by the customers should be provided by the bank. However, the personal contact will not be replaceable and will always be demanded.³⁵⁵

The bank has not conducted aggressive selling of their products and services to their customers, but only proposed what they feel they can benefit from. There has been a feeling in the bank that it is negative to charge customers for the services. Instead there must be a shift towards a more businesslike behaviour where the employees show the customer which value that is created. The customer should know what the bank is actually doing for them and the cost of it. This shift has taken place in the bank over the last ten years.³⁵⁶

When asked, Eksell predicts that the future demand by customers on SHB and banking are to have a local presence where the customers are known and to follow the technological development where the solutions are offered/delivered in a safe and reliable way.

5.5 Service quality from the customer perspective

So far the discussion of relationships has been from the SHB perspective. However, in order to create a full understanding of the relationship, three customers have been interviewed regarding the service quality in the interaction between them and SHB. Information about the customers is presented in the list of references. The findings are presented according to Grönroos' seven criteria of good perceived quality.

³⁵⁵ Eksell, 2003, Employee, 2003

³⁵⁶ Björnberg (1), 2003

5.5.1 Professionalism and skills

In terms of the professionalism and skills of Handelsbanken, two of the customers state that this is important for them and that Handelsbanken must be professional. For example, customer two says that he does not care if the bank offers him good service as long as they make money for him. He also wants to be able use the bank as someone with expertise that he can discuss and reason with regarding important matters and ideas. Customer one says that it is important that the bank has the right employee at the right place. If the funds of Handelsbanken were being repeatedly outperformed by the funds of other banks, this would be a reason for this customer to switch to another bank.

In terms of the skills of the personnel in the front office, customer one feels that they are skilled enough at what they do and if they do not have the skills needed they are honest and admit this and direct the customer to someone with the required skills. However, customer two says that he feels that the personnel do not have the skills required by him. He feels that the advice he receives is too general and lacks the expertise that he requires. This is something that he would like to see the bank improve. Both these customers do however feel that the Internet service at Handelsbanken feels professional and secure.

Customer two states that the bank must be able to judge what he needs and then satisfy these needs. He also values that Handelsbanken does not spend money on unnecessary marketing campaigns. Instead they are more focused on the result. Further, they should not focus on developing new technology but instead use the current technology to satisfy him.

Customer three feels that in general the professionalism and skills of Handelsbanken are acceptable but she has never compared the bank to any other. She does however feel that she so far has received little information from the bank and that she wants more information.

5.5.2 Attitudes and behaviour

All the customers agree on the fact that the attitudes and behaviour of the bank, i.e. how the bank acts, is more important to them than the actual service provided. For example, customer three says that it is the personal relation, the attitudes of the employees and their ability to communicate that are important compared to the actual service. Customer two concludes that it is important that

the bank acts in the way that he wants them to do, at the moment he wants them to do it.

Two of the customers also feel that there is a difference in the attitude and behaviour they receive from their local office compared to that of other offices. Customer one says that he has a superb relationship with the local office and they have earned him a lot of money, but if he enters another Handelsbanken office he does not feel this attitude at all. Instead there is a feeling that they do not want to help him. Further, he feels that the attitude of the employees differs with their age. If he meets an older employee he feels that they have found a way to see the problem of the customer as well as showing empathy without being too personal. Customer two shares the feeling of getting different attitudes from the different offices. He says that at his local office he feels a intimate atmosphere where the bank acts in his interest. However, if he enters another office, he must soften the employees before he gets satisfactory service. According to him, it feels like the office wants him to become a customer at that specific office before they are able to offering better help.

Further, customer one has also experienced a bad attitude in the sense that the local office has shown an unwillingness to negotiate loans with him and even though he presented rates from other banks that were better there was no room for negotiations. Customer two also thinks that he has experienced attitudes and behaviour that were not satisfactory since sometime when entering an office for personal advice he has been asked to find the information on the Handelsbanken website instead.

Customer one also says that positive behaviour from the bank is when they never try to make you buy or use a specific service and that they do not act as salesmen. Further, he says that you are offered a lot of information and advice once you have started to use a service but he feels that there could be more information about the services that he does not use.

Customer three feels that the employees should never judge a customer according to the way they dress or their age. This sometimes happens and it is something that irritates her a lot. This also applies to the financial situation of the customer. No matter if you have little or a lot of money, the bank should treat the customers equally. It is also important for her to truly feel that the

bank sees her as a customer. Further, the attitude of the bank has, according to customer three, been bad when she has had problems with her charge card, when it was lost or demagnetised. For example, when the card was demagnetised she felt like the bank thought that it was her fault. She has also experienced attitude problems when she tried to open a fourth account. The bank stated that three accounts were enough and there was no need for another. This was probably because it was evident that she planned to use the account to store money for a journey and then close it down. Eventually she was allowed to open this account, but she did not appreciate the actions of the bank.

In terms of the Internet service, customer three feels that it is hard to create a personal atmosphere over the Internet and it is also hard for a company to express itself on an Internet page that would cause dissatisfaction for the customer.

5.5.3 Accessibility and flexibility

In terms of the accessibility to the offices, customer two feel that the offices should have better business hours than 1000-1500. Customer one agrees with this and feels that the office should be more flexible in their business hours in order to suit his needs. Customer three feels that the offices are evenly spread over her hometown. She does however wonder why there are always queues during the lunch hours. During this period of the day the bank should focus on having a lot of personnel since this is the time when many people visit the office. She also feels that the business hours could be extended to also cover Saturdays, since for example all people do not have access to the Internet or are able to visit the bank during the weekdays.

Both customers one and two find the accessibility of Handelsbanken's Internet office limited since it is tied to one specific computer and thus the accessibility is not as good as they want it to be. The bank's accessibility can be increased in the future, according to customer one; by for example making it possible to check the balance of accounts over the phone without having to remember all the account numbers and codes needed today. Customer two does however feel that an increased amount of technological solutions when handling money is dangerous since it makes people blind of the actual value of money. Customer three feels that there are hidden costs that restrict her accessibility to the

Internet service since even though the service in itself comes with no charge she needs an Internet subscription that costs her money.

In terms of how loans will be applied for in the future, customer one thinks that this will be done over the Internet since the customer then will be able to compare the offers from different banks better. However he, and also customer two, still feel that they would like to apply for loans in person since this enables them to ask questions and get information, such as taxation values of houses, which are easier to obtain for the bank than for the private individual. Customer one also foresees that in the future people will be able to deposit cash in the bank through a machine. He does however state that he would not do this himself since he would not trust such a machine.

Customer three states that she also demands accessibility to the bank in the sense that she wants to be able to reach them over the phone when there is some kind of crises, for example when she has problems with her charge card or when the internet service fails to function.

In terms of flexibility, customer one feels that the bank is not flexible in the sense that when entering another bank office than his local, apart from the attitude, there needs to be an approval from the home office before account statements can be handed out. It feels like the local offices are not connected to each other. The Internet does however solve some of these issues for him because he does not have to go to an office anymore. It is also important for him to be able to book appointments with the bank outside business hours in order to be able to deal with the bank when it is convenient for him. Further, he experienced a lack of flexibility from the bank when he could not negotiate about a loan; instead he felt that the employee was locked into offering one specific interest rate.

5.5.4 Reliability and trustworthiness

When it comes to the bank acting with the best interest of the customer at heart customer one and two feel that this is true. One of them, customer one, does however feel that there could be more information given to him regarding the costs of a service that he is about to sign up for. He also feels that the bank could explain their services better so that the customer understands what will happen before he signs up. Customer three states that she does not feel that

Handelsbanken acts with her best interest at heart. She bases this feeling on the fact the Handelsbanken offers a very low interest rate compared to other banks. She does however feel that the bank helps her in emergencies, such as when losing a charge card.

In terms of the Internet service, customer one feels that he trusts SHB. He also says that having to install service certificates, even though it restricts the accessibility, makes him feel more secure than only using passwords.

All the customers say that they have a bond to Handelsbanken; this bond does however not seem to be strong. Their reasons for a potential switch to another bank are said to be better offers from other banks or if Handelsbanken did not live up to their promises or became involved in a scandal. Customer two does say that although there are not many things that speak for Handelsbanken he stays in the bank anyway since he knows what he gets there, whereas the other alternatives are unknown to him. Currently he has no plans to switch to another bank but if he would apply for a job in the future and his fiancée's bank offered a better deal he would switch since it would be easier to have all their business in one bank.

It is important for customer one and two to feel that there are benefits in being a customer of Handelsbanken. For example, customer one says that he can contact another bank where he is not a customer, having them doing the same controls of him as a person, and get a better deal than in Handelsbanken. According to him, it feels like Handelsbanken just gives an offer without being interested in discussing it. This disappoints him and makes him feel like not being good enough to get the best deals from the bank. Customer two states that benefits like having his children treated well when becoming a customer in the bank is important.

Customer three states that she has remained a customer in Handelsbanken since they survived the bank crises in the 1990's without getting help from the Swedish government or getting involved in any scandals. She does however have a savings account in another bank since the rate offered by Handelsbanken, like other banks, is very low. However, if other banks offered better interest rates on the transactions accounts she would never accept the rate Handelsbanken offers.

When thinking in terms of the bank always performing with the best interest of the customers at heart, customer one felt that the bank had higher charges for their charge card than other banks. He does not feel this anymore, but he says that this could be because he earns more money today or that the charges have evened out between the banks. Further, he states that he wants the bank to have him in mind and offer him new service solutions so that he does not need to think about how to have the optional service package.

5.5.5 Service recovery

After having experienced problems with the services at Handelsbanken, customers one and two state that these problems have been solved and corrected by the bank in a satisfying and efficient way. Customer three has however experienced problems with the service recovery of Handelsbanken, even though the problems were solved. When she did lose her charge card or when it was demagnetised she felt that the bank made her feel responsible for the buys made after blocking the card as well as making her feel that it was her fault that the card had demagnetised. However, apart from these problems with service recovery the customer has not experience any problems. For example, when having problems with the bank's Internet service, one call to the support centre usually solves the issue. The same thing is applicable when having problems with her charge card outside Sweden.

Customer one has also lost his charge card once, but he was able to reach the bank easily and the bank quickly reissued a replacement. Further, he felt that it was positive that the bank quickly provided him with new software for the Internet service when he bought a new computer.

Customer one also feels that there is not enough information from the bank concerning what the bank actually would do if there were a problem. He feels that if such information was provided he would feel more secure with the services at Handelsbanken. Further, customer two says that he receives a lot of letters from the bank telling him when a problem has occurred. Even though he never experienced any problems himself he feels that these letters indicate that the bank actively works to find and correct problems. He also feels that these letters could describe the problems in more detail.

Customer three further states that she has noticed that the bank seems to notice errors on her behalf, such as overcharging her charge card, much faster than they notice problems that occurred because of the bank.

Customer one thinks that there is a general fear that a bank will not provide assistance when something goes wrong. This has however not been the case with Handelsbanken.

5.5.6 Serviscape

Customer one feels that the offices of Handelsbanken have an old interior. He feels that this is negative since he wants the bank to be furnished in a more modern way in order to appeal to him. He also states that he values the possibility to be able to sit down and talk to the employees. Customer two also feels the importance of being able to sit down and talk. It is however important for him to be able to have the conversation in private, for example in a separate room. He says that it seems like the employees of Handelsbanken are aware of the importance of privacy. He also feels that it is important that the offices do not have an old interior even though he does not want the bank focus on having a flashy brand and interior. Instead, there must be substance in the bank and the effort should be spent on earning him money. Customer three also shares the view that the bank should focus on result rather than a flashy interior. She does however view the interior as neutral and impersonal rather than old fashioned.

Customer one also feels that the design of the Internet service appeals to him and that it is easy to use. He also feels that when you have used the service once you are able to use it with ease, since the design enables him to learn quickly how to use it. In terms of the Internet service, customer three feels that the design fits into her view of Handelsbanken even though she feels that the design is a bit neutral and if someone took away the Handelsbanken logotype she would probably not be able to say that it was a Handelsbanken page. It is also totally insignificant for her if the Internet service has a local design or not.

5.5.7 Reputation and credibility

None of the customers says that they know which values Handelsbanken has. However, customer one states that he thinks that the bank takes good care of their employees since they have the profit share system Oktogonen. Regarding the image of the bank, he states that the image of the bank is important in the

sense that if the image of the bank is good this will make it attractive to employees with high competences. The other two customers do however state that the image of the bank is not important to them, instead it is the result of the bank service that counts.

Customer one feels that the bank has a strong local image but it does not seem to focus on private individuals. He thinks that his view, in terms of not focusing on private individuals, comes from the way his local office has profiled itself.

Customer two shares the view that the bank does not focus on private individuals. He feels like he is part of an exclusive group of customers in a corporate bank. He also thinks that Handelsbanken has a larger share of customers that are non-left in their political orientation. He does not however think that the customer selects which bank to use based on their political view or the image of the bank, but base their selection on the interest rate offered and the costs charged. Further, he sees the image of Handelsbanken as strong but a bit cold, but he thinks that this is probably because they do not spend money on advertising. However, he likes this approach and thinks that the bank should not focus on creating an image. Instead they should try to minimise costs, which enables them to for example offer less expensive loans. Further, he believes that since it is the customer who lends money to the bank, it is the customer who creates the image of the bank.

Customer three says that she knows that Handelsbanken is regularly mentioned as the best bank. She feels that it's hard to say anything about the image of Handelsbanken but she sees them as being trustworthy without any bad behaviour in their past. For example, Handelsbanken did well during the bank crises in the 1990's and did not need any help from the government. If customer three were to invest in funds, she states that it would be important for her to know that the bank invested her money in an ethical way and that no money was invested in e.g. companies that develop weapons. She would also consider switching to another bank if Handelsbanken became part of a scandal or if they profiled themselves in a way that she strongly disagreed with.

5.6 Analysing the relationships between SHB and its customers and the ways of delivery

Under section 5.3, the capabilities of SHB were identified and to some extent analysed. However, in that section it was not possible to give a complete picture of the relationships since the customer perspective was not incorporated. What are the implications of the identified capabilities and relationship builders on the relationships of the company and its customers and the perceived service quality?

5.6.1 Organisational structure

In the organisation of SHB the only one unit that is allowed to interact with the customer is the local office. Other functions in the company such as the regional or central headquarter only act as service functions that should support the local office in the interaction with the customer. This organisation is clearly linked to the theory regarding services, which emphasise the customer-orientation of the organisation. Further, the theory states that the responsibility as well as the decision power should be given to the employees that are in contact with the customers, which also are reflected in the organisation of SHB.

What is also required to increase the service recovery perception is a way to allow the employee to be close to the customer in terms of accessibility in the critical incident. This can be dependent on the ability of the organisation to support other resources to provide adequate service recovery possibilities. This implies that there is a need for an organisational structure which allows the different roles and positions and the responsibilities and knowledge that exists within SHB to quickly be reached and facilitated when needed.

If the organisational structure does not allow employees to facilitate the knowledge and expertise that exists in other employees in an efficient and timely manner, there could be negative effects in the way the customer feels if not enough interest is given to their problems. This could have further effects on the bank's ability to provide the customer with the feeling that their issues and concerns are the focus of the employees and the bank by perhaps illustrating a view of dealing with a very administrative and bureaucratic organisation where the accessibility to knowledge and, expertise and help in general is dependent on a strict hierarchy that needs to be accessed through a complex set of procedures.

Through our earlier discussion about organisational structure, the importance of organisation in terms of reducing the physical and mental distance between the bank and customers can be seen. In most cases this means that the organisation acts as a support for other resources. However, in the case of accessibility and flexibility, the organisation in itself enables increased access for the customer in terms of local proximity.

▪ *Organisational effects on providing the service to customers*

Our empirical findings indicate that the customers are satisfied with the skills of the employees of SHB. One reason that the customers feel this way could be that the skills of the employees are well adapted to fit the expectations of the customers. This could indicate that the strongly decentralised organisation of SHB, which enables the employees to come closer to the customer and, thus better understand their needs, enables the company and the employees to develop skills that meet the customers' expectations. Hence, it could be so that the decentralised organisation of SHB could facilitate development of the skills of the employees needed to satisfy the customer.

It has also been highlighted through our empirical investigation that customers feel as if the local office and its employees are delivering the service in a friendly way. We believe that this feeling is reinforced by the informal and flat structure of SHB and the fact that most customers feel close to the employees as they live and work in the same area. It could be so that the decentralised organisational structure, which enables informality and closeness to the customers, provides benefits to the bank as it allows a positive perception of the employees' attitudes and behaviours to develop.

By operating within an organisational structure that supports and facilitates the ability of the employees to provide the service, the feeling of personal service is reinforced with the customer. In a sense this has further consequences for the ability of the employees to attach themselves to the feelings and concerns of the customer, thereby reinforcing the concept of service provision. Furthermore, by operating within the existing organisational structure, where informality and a quick flow of information can take place, the employees are allowed to operate and strengthen the organisational culture. Hence, it could be so that the current organisational structure has allowed SHB to strengthen and emphasise its

chosen or preferred organisational culture thereby allowing its employees to develop the necessary traits to keep the customer satisfied and express the necessary attributes to increase the perception of personal service in the minds of the customers. This organisational structure can thus be argued to have strong implications for the ability of the employees to operate within the organisational culture and its values and thereby develop the flexibility, which is needed to provide personal service.

▪ *Customer responsibility*

According to the theories regarding service quality, it is important for the customer to feel that the employees are having their best interest at heart in order to have a perception of high service quality. Our empirical findings indicate that the customers of SHB feel that the employees have this interest in them. Could it be that the customers feel this because the organisation reduced the distance to them in terms of decision power and the employees that interact with them are responsible for the service? Further, the empirical findings indicate that competitors that have moved the decision power and responsibility one step closer to the customer have had an increased perceived service quality. Thus, it could be argued that the decentralised organisational structure in terms of decision power facilitates the possibility to create a sense of reliability and trustworthiness for customers that in turn can affect the relationship in a positive way. However, it could be argued that it is not only important to only reach high levels of perceived service quality. Our findings indicate that the expectation of quality constantly increases and hence the organisation could face constantly increasing demands of quality where room for improvement will exist.

By acting as a builder, the organisational structure has created and facilitates the possibilities to make the customer feel trust and credibility towards the bank as well at the same time promoting the reputation of SHB. By allowing the employees to quickly address the specific issues, concerns and problems of the customers, directly or indirectly, by referring them to another employee with the required skills, the organisational structure helps to create this. In addition to this, we would like to argue that what is needed and required for this is to provide a means by which other resources of the bank can come closer to the customer in terms of localness. The ability of SHB to ensure that the customer feels that the bank and its employees are acting with their best

interests at heart seems to be sustained by the organisational structure. This is because there arguably needs to be an overriding organisation that facilitates the possibilities of the bank and its resources to be close to the customer in terms of localness.

The empirical findings also tell us that the customers feel that if the front line personnel lack the skills needed to serve the customer they are redirected to someone with the skills needed. The ability of SHB to do this could also have derived from its organisational structure, which allows the required skills to exist and develop in close proximity to the customer rather than in support functions further up in the organisation. Hence, it seems like the flexibility and informality of a flat organisational structure does facilitate not only the service perception, but also the actual ability of employees to quickly resolve any customer issues that arise. Therefore, it seems that the relational and emotional empowerment is one of the prerequisites for the employees to conduct their work and achieve set company goals. The power and control of the service process and autonomy in decision making enabled by the structure and culture could be argued to lead to well conducted work visible in increased service quality that enhances the customer satisfaction.

- Empowerment leads to job satisfaction
- Job satisfaction leads to pride in doing your work and joy
- If the employee is happy than this will show in the relationship with the customers
- Empowerment leads to knowledge development
- Hence, the organisational structure facilitates the development of knowledge and responsibility, which is important to develop personal relationships in a bank.

Empowerment of employees is linked to the discussion regarding the decentralised organisation that could enable flexibility, since they have the decision power to adjust the offering in the interaction with the customers. Since the employee need to take responsibility towards both the customer and the bank to conduct the business in a correct and acceptable way, it could be argued that the reliability and trustworthiness and social and professional skills required for service quality are also affected by the empowerment. If the employee enhances the service quality through the motivation, the customer will most probably acknowledge this and link it to the company as a whole,

since the employees are the bank. Thus, it can also be argued that the empowerment of employees could indirectly affect the reputation and credibility of SHB.

Nonetheless, the informality and closeness to the customer that arguably arise, as a result of the flat, informal organisational structure of SHB also allows for negative implications in their relationships with their customers. By enabling this close relationship between the customer and the local office, our empirical findings indicate that the customer expects the same service quality from all the offices in the bank, whereas SHB states that this is not possible since the other offices do not have the same knowledge about the individual customer. This implies that SHB has not succeeded in communicating the idea of the decentralised organisation to the customer. If this is true, could it mean that the strength of the organisation might also constitute a weakness if the idea of it is not communicated to the customer?

5.6.2 Organisational culture

The informal communication channels in the corporate culture have not been mentioned to a large extent. However, it can be assumed that the large number of local branch offices as well as smaller offices where the friendly atmosphere and possibility to closely interact with the co-workers is present can be used as a powerful means to reach out with the ideas and goals. However, the internal company systems enable the communication between all levels of the organisation to interact. The profit-sharing system is the financial incentive and the internal result-competition among the regional head offices are the motivators used within the organisation.

The organisational culture seems to be strongly anchored in the way which SHB does business with its customers and the way they want to be perceived. By providing a clear understanding of what is expected from the employees and by operating an organisational structure to support this, employees are given the possibility to develop their skills and knowledge in accordance to what they feel is required from the customers.

The ability to provide a strong and consistent culture furthermore can be argued to have implications for the way customers feel satisfied with the skills of the employees. The ability to provide a company culture that enables the employee

to focus on their development is hence arguable crucial to provide an environment where this satisfaction can be reached. We believe that the flat organisational structure of SHB can have attributed to the banks ability to create this culture

The role played by the organisational structure can be seen as crucial in creating a customer-oriented, strong and consistent culture that enables employees to know what is expected from them and in what way the business should be conducted. The flat organisational structure, which requires employees to be able to quickly understand and provide the customer with a feeling of closeness and a feeling that their interest is paramount to the employee furthermore requires the culture to facilitate this way of operating. It seems like the organisational structure not only reinforces and allows the possibility of the organisational culture to be clearly expressed, but also allows the customers to feel that the employees have the skills to solve their problems. Hence, the informal flat organisational structure is providing clear support to the overriding corporate culture of SHB and its aims to provide personal service.

In order to create a feeling of personal relationships and service it also seems like the organisational culture must allow for the perception of service quality in terms of behaviours and attitudes to develop in the customers minds. Having an organisational culture based on informal personal relationships with customers allows and supports the employees' ability to show concern and an interest in solving the issues and also having a personal relationship where the employees actually know the customers outside the bank. Hence, it seems like the organisational culture must provide the support for employees to develop the necessary skills to meet the individual customers at their level.

By having this approach, where the employees in the organisation have the possibility for open and honest discussions with customers in order to adapt to each individual customer's needs, the possibilities so satisfy these needs are increased. It can further be seen from the empirical findings that older employees often are perceived by the customer to have more empathy for the customer's problems. Having a culture that focuses on keeping a low employee turnover and developing relationships with customers seems to increase the understanding of the customer needs. Hence, we argue that this confirms the

importance of the culture acknowledging the importance of employees since it enables the employee to develop their social and professional skills towards the customers over time.

The skills and knowledge arguably enabled by the culture and organisation also seems to strengthen the reliability and trustworthiness perceived in the customer interaction. The apparent understanding of the sensitivity of banking and personal financing of employees has enabled the employees to offer the services through needs-identification instead of aggressive selling, creating a feeling and opinion of confidence towards SHB. Hence, a strong and well defined culture seems to provide the framework to strengthen the important service quality criteria of trust and confidence that enable a sustainable relationship.

The organisational culture with its consistency and values emphasising both the customers and employees as individuals can arguably increase the positive attitude in reputation and credibility of the company. Even though the customers did not clearly identify the values of SHB, their perception, such as care for employees, coincides with the one the bank wishes to communicate. This implies the success of the culture and structure of SHB since the employees unconsciously have been communicating and implementing the values and goals. This further implies that the culture can serve to affect the customers' feelings of reliability and trustworthiness of the bank and thus positively affect the perceived service quality.

5.6.3 Employees

So far the discussion has been focused on the implications of the organisational structure and culture as resources for the relationship. However, as can be noticed, both the culture and structure enables for the employees to interact with the customers, which indicates that the personnel is arguably the crucial resource when building relationships within services.

In order to create customer relationship quality it seems like the employees must have the skills and knowledge to meet the customer demands of competency to solve important matters and problems accurately. It seems like the employees not only enable the view of them as the bank, but also the

customers' feelings that the skills and knowledge in delivering the service offering is beneficial for them.

In order to facilitate the importance of employees in the interaction it seems like the management and employees internally need to identify with the values and goal of the organisation. This will enhance the communication in order to transmit the feeling and value to the customers, as well as include the customers in the service production process, which enables the development of customer development. Hence, the intra-organisational relationships and development enhances the employees' ability to build and nurture the customer relationships.

Further, the specific customer needs are affected by the changes and characteristics of the current market situation, which require the employees to have the knowledge to meet these demands. It seems like the interaction with the customers and the intra-organisational relationships facilitate the demanded importance of learning to meet the customer needs based on "real life" facts. As confirmed by customers, they themselves do not always know what need they need to satisfy, which implies that the competence in the organisation and employees should be able to offer this. It can thus be argued that the prerequisite of employees with academic degrees, the low turnover of employees and interaction with customers and colleagues makes the personnel highly experienced. The necessary professionalism and skills, as well as the social skills about how to behave towards the customer in order to satisfy the demands sought, leads to customers feeling trust that their needs are the main interest of the bank.

In order to further strengthen the feeling of trustworthiness and reliability towards the customers, the actions taken by employees must be taken with the customers' best interest at heart and make them feel comfortable in the interaction in the service process. Our findings indicate that this seems to be achieved not only in terms of employee knowledge, but also in the servscape where the interaction occurs. Arguably, the employees could use the skills to know whether customers are comfortable and further, how they physically, through the interior, can increase the positive environmental perception. The servscape is not the most important criterion that is affected by the employee, but indications suggest that it can however not be neglected.

The social interaction in the service process is arguable the critical incidents where it is determined whether the relationship will be continues. Therefore, it seems that the service recovery process is of great importance, since any negative experience will affect the continued relationship. Even though the recovery at SHB has functioned well, with a small exception, it seems like there needs to be improvements in the organisation and employees in order to increase the satisfaction and trust felt by customers. It seems that there is a need for transparency and information about the service process in order for the customer to feel secure about what could be expected from the relationship. A lack of information could increase the misperception in the service process and create unnecessary quality gaps affection the relationship in the long run. Prior satisfaction and high relationship quality could indicate that the relationship might continue to exist even if the service quality worsens. Hence, it could be argued that the employees are the important link that should communicate what should and can be expected from the organisation, in order to minimise the misunderstandings and service gaps that might occur if the wrong expectations of the service exist and are perceived due to lack of information.

5.6.4 Brand relationships

The development of the brand based on traditional marketing management exchanges of products to creating relationships seems to be due to the changing characteristics of industries and consumption, where the importance of services has increased. As stated in the service branding theory, the brand should act as an intangible relationship builder, however, indications in other theory and empirical findings show that the service brand is connected to other builders to be able to work effectively as a relationship.

The role played by the company values can be seen as crucial in creating a brand that enables the customers and employees to have expectations of the company that are supposed to be met in the interaction and comply with the values and emotions that should be satisfied with the customers. In SHB the organisational structure and division of responsibilities is divided by giving all employees in the organisation the responsibility of marketing and communicating the values and brand of the company. The consistent SHB culture developed over the last 30 years. The structure and the intra-

organisational relationships seem to ensure that the correct consistent picture of SHB is correctly transmitted and created by the employees to the customers.

The brand and the values, as discussed earlier, seem to be well secured and recognised as the customers perceive the brand and values in a way wished for by SHB, regardless of the fact that the employees have not clearly stated them. Even though there is no marketing department or expressed ambition to develop the brand through separate activities, the consistency of the values and the brand in the interaction with customers and other stakeholders is therefore argued important according to our perception of both theory and empirical findings. It implies that when there is cohesion between the staff and company and brand values, the service process will be oriented towards the customers enabling a consistent picture of the offering simplifying the choice for the customers. However, the empirical findings show that customer do not feel a strong bond to the bank and that they do not feel that the bank always acts with their interest at heart, e.g. when it comes to interest rates for loans and deposited money, which could arguably be linked to a weak perception and uncertainty about what the values of SHB are. Also the perception of the SHB brand being linked to the organisation as a whole and not to any specific products or services offered implies that the perception of uncertainty and difficulty in evaluation of quality can be ensured though the corporate brand inspiring and communicating the values of the company, making the customer feel reliability and trustworthiness and hence lowering negative feeling of risks.

The sensitive nature of personal finances and money demands the bank to behave morally and ethically correct. Arguably, this behaviour is needed in order to meet the demands of reliability, trustworthiness and credibility necessary for service quality and later relationship quality. The brand further has implications on the service quality criteria: professionalism and skills and attitudes and behaviour. Since the service company values, and hence the brand, are customer-oriented, the brand will enhance the perception of these service criteria and strengthen the quality perception.

Also the company systems act as support builders for the service brand. These systems will be analysed further in the next section, but they still must be mentioned in relation to the brand. Without the systems the employees in the bank would not be able to offer the service to customers and arguably these

systems must be adapted and designed in a way facilitating the visualisation of the values, such as e.g. customer-orientation.

This discussion implies that the service brand complies with the notion that the company is the employee within services, and hence the brand could be argued to act as the relationship builder both in the indirect and direct interactions with customers. When interacting with systems and other indirect means of communication in the process, the brand could be argued to act as the resource ensuring credibility and reliability, which determines the level of trust.

5.6.5 Technology

The technological development has strengthened and facilitated the relationship-building process and customer-orientation.

Technology as a relationship builder could be seen from two perspectives. Firstly, company systems enable the employees to provide the service offering to the customers and secondly, company systems support the self-service technologies used by the customers in the indirect interaction. The technological company systems as relationship builders on its own do not give the company any competitive advantage. It is seen that the employees are dependent on the company systems to provide the service offering to customers due to the dependency of the customer image and the CRM-system in the service process. Since the systems have enabled the existence of a larger amount of personal relationships as well as products and services handled by the employees, it can be argued that the systems are a requirement for the creation of personal and impersonal relationships in services. Thus, the number of relationships in relation to number of employees would not be as large nor would the employees be able to offer the same services offering. This implies that the employees need to have the skills and professionalism necessary to use the systems, in order to provide the greatest amount of services and products offered. Hence, it can be argued that the accessibility of the service increases since the systems facilitate the relationship between the customer and the service company.

In order for the employees to live up to the goal of providing customers satisfactory services, it seems like the local adaptation in systems, cohering

with the customer-oriented organisation and culture provide enhanced flexibility of the service.

However, after interviewing central, regional and two branch offices it was clear that the use and understanding of the company system was not the same in the organisation. At the smaller local office the CRM-system as a tool to search for customer needs was not used, while the other, larger, branch office and the support units discussed the benefits and use of the technical solution and the intelligence it generates. Could the difference in use between the two local offices be dependent on the size of the office and the customer base? Is the smaller office as local as it can be with a relatively small customer base and therefore know the majority of its customers and can track their needs without having to process and analyse data in a CRM-system? It could be argued that the larger branch office and its larger amount of customers need the help from the technology in order to provide the same service as a smaller personal office to its customers. However, this implies that importance of the systems being reliable and working without any disturbances is larger for the technology dependent offices. But where is the border between being too dependent on technology and/or having too many employees? Where should the emphasis of SHB be in the future in order to achieve its goals of being local and meeting their customers' needs, is it to have more employees or more technology?

The increased competition and changing demands of customers implies that the technology, together with strong relationships, is one of the most important factors for future successes. It has been found at SHB that the central, regional and larger offices see the benefits of using technology for the apparent necessary proactive behaviour towards the customers, compared to smaller offices. Is it that these smaller offices have not identified the need of analytical CRM-systems or is the decentralisation implemented to such an extent that the solutions provided by central office are not "accepted" or cared for as long as the customers are satisfied? If the local presence and the customer-orientation act as main, and maybe even as the only, determinant of future development, it could be argued that the competitive advantages of SHB will decrease since competitors will be able to copy the current strategy and continue the development and be able to present better service offerings. However, if the changes and development initiated by the organisation are done with the

existing customer-focus in the relationship builder, it could be argued that this is not a threat towards, but instead care of the customer relationship.

It is identified in the theory that the technology should be developed to be designed and oriented towards the needs and abilities of the consumers. The central development unit has expressed the problem concerning the customer versus product orientation of the company system where they have identified that the company systems are not built with a total customer-orientation. The customer is the starting point of the technology instead of the current focus with products, as mentioned in for example services branding and SSTs. But even though the importance and benefits are recognised, the development is not yet initiated since there has not been a need demanded from the local offices and it could therefore once more be argued that it allows for negative implications for the future relationship with the customers. This could mean that the SHB organisation is not successful in implementing the necessary actions needed if they are identified by other units than the local branches. The expertise of the central unit could benefit all actors involved, the local offices as well as the customers, but the decentralised organisation and culture does not allow for it. The apparent strength in the organisation, of not engaging in unnecessary projects and development at the central level since the local offices are reluctant to finance needs not identified, is actually acting negatively on the future service quality.

In terms of the second perspective, the self-service technologies offered to customers, these are seen as additional communication channels between the bank and customers. Within the research of SSTs it is argued that the customer choose, to use a technology based on the benefits or the feelings of comfort. The customer interviews conducted by us and the result from SKI indicated that the banking customers using e.g. the Internet services provided by banks are as satisfactory as the personal services. The feelings of safety, reliability and trustworthiness of the SSTs have enabled the customers to get access to the service when wished for without, for example, the restriction in opening hours and believing the system is safe to use.

The numerous local offices as well as their geographical location enable SHB to offer an easy accessibility to service by the customers. This is furthermore reinforced through technical solutions such as their Internet service.

Nonetheless, we would like to argue that this is not enough to enforce the feeling of no restrictions in the minds of the customers. Although the business hours of the bank limit the accessibility to some degree, it could be argued that the accessibility to Internet services should compensate for this. Nonetheless, it seems like the current way of operating the Internet service does not adequately allow this. In particular the fact that this service is locked to one computer seems to be one of the major factors. This can have arisen because of technical issues where the company's experience providing the service has not yet been established in comparison to other competing banks.

When considering the argument by the branch manager for the lack in accessibility regarding opening hours, she stated that the cost of the additional employees would be too high, indicating that the provisions of SSTs could be more than just an attempt to increase accessibility for the customer, but also to reduce costs for the bank. Cost awareness in itself is nothing negative for the customers if there is a benefit for them that does not restrict the service. SHB indicates that they do not intend to be the innovator of solutions. However, not improving the service further to respond to the feeling of accessibility could mean that the satisfaction and reliability towards SHB is decreased, since the changes and development does not go hand in hand with customers needs.

One customer noted the frustration of being directed to receive information regarding a loan on the bank Internet page, even though he specifically entered the office for advice concerning a loan. Advice and discussions about loans are considered to be one of the areas where the bank is supposed to offer qualitative service based on personal relationships in order to ensure credibility and decrease the uncertainty and perceived risk in borrowing a large sum of money. This could, however, imply that the bank does not act with the customers' best interest at heart and satisfy them, but instead sees the technology as a mean to focus on the profitability goal of the company. The empirical findings indicate that reliability and trustworthiness are very important and it could be argued that the customers accept this limitation of accessibility for now. But, since it is possible to have secure and accessible Internet services, the perception of total service quality can be decreased if the situation does not change and hence the possibility for a long-term sustainable relationship will not be present if the customers are searching for other alternatives with competitors.

Also, indicated in the empirical findings, the technological systems need to take serviscap into consideration when creating systems for interaction through the impersonal technology. The design of the system, e.g. the web page, must enable a positive feeling that reflects and produces a picture that coheres with the physical bank. When it comes to the quality criteria of attitudes and behaviour this seems to be difficult to feel and express in a way that is different and negative in an impersonal technology, as one customer stated: *“it is also hard for a company to express itself on an Internet page that would cause dissatisfaction for the customer.”* Further, as earlier argued, if banking is all about safety and personal relationships, will the customers settle for technical solutions in order to replace the local office because of its limited business hours? If this is the case, it implies that the possibilities for the bank to gain knowledge through the social encounter is minimised and hence the risk of damaging the relationship quality, since it is more difficult to see when dissatisfaction occurs in the impersonal interaction. This question is also justified from a post-modern perspective where it is deemed important for the customer to be able to receive the service needed at their convenience. Is this valid in the banking industry as well given the emotions customers attach to their money?

5.7 Delivery

In the service context, what are the possible and wished for relationships and how can these be delivered?

In our empirical findings SHB emphasises that banking is a personal matter, which in turn demands a personal contact between the employees and the customer. Our empirical findings also confirm that the customer wants to be able to interact with employees that have the knowledge and skills to provide answers to any questions regarding important matters. This could be a result of the customers' need to be able to talk and interact with another person when having questions in order to feel that they can rely and trust the bank. However, the findings also indicate that the customers use the Internet service for daily matters such as paying bills and transferring money. This implies that that even though banking is a personal matter there are occasions when the customers prefer to have a personal relationship with the bank and other occasions when an impersonal channel is sought for. Further, this choice could arguably be

based on the perceived risk and uncertainty, where high risk calls for personal delivery whereas when there is low risk involved impersonal delivery can be used.

According to SHB, the customers must be enabled to communicate with the bank by any means they want, be it personal or impersonal. As such the bank seems to comply with the theories of post-modernity, which emphasises the customers' need to be able to have the service delivered at their convenience in a way that fits them. This also implies that the bank seeks to satisfy the customers' need of accessibility by offering several different communication channels.

In terms of the organisation, SHB is also seen to have a large network of offices. The indirect services such as the Internet service are, according to one branch manager, supposed to complement the offices outside business hours since increased business hours would demand more personnel. However, the customers state that they still feel restricted in their accessibility both in terms of business hours and because of queues in the offices. This implies that the attempts to not increase the number of employees, but instead offer indirect communication channels, can in fact reduce the customers' perception of accessibility and service quality and hence might affect the relationship in a negative way.

In order to be able to provide both personal and impersonal service delivery to the customers, the bank must turn to their relationship builders. Our empirical findings indicate that the customers feel that they have a superb personal relationship with their local offices. This could arguably indicate that the customer's satisfaction might come from the interaction with employees who are focused on solving the customer's problems and thus satisfy their needs. Hence, having a corporate culture, which emphasises customer satisfaction, could arguably facilitate the development of customer-focused employees, which in turn can satisfy the customer in the personal delivery.

Further, the customer stresses that it is their local office that provides the superb relationship. This can be a result of the customers feeling that the employee that they interact with is someone that lives and works close to them and who they can thus identify with. Thus, this could indicate that the

organisational structure of SHB, which in accordance with the theory places the employee close to the customer, is enabling the employees to increase customer satisfaction.

Given the large number of products and services offered by a bank today, it is hard for the employee to have specific knowledge about each product. Hence, it could be argued that some kind of system that enables the employee to offer the customer the correct services and products must exist. Therefore, it is our belief that company systems that enables the employees to focus on the customers needs in the personal delivery might act positively in terms of satisfaction for the customer.

In the personal delivery, the brand arguably plays an important role as a relationship building resource. As indicated earlier, the brand enables the actual personal delivery since it can facilitate an easier choice for the customer based on expectations and recognition. Further, the brand enables the customer to feel reliability and trustworthiness and hence lower negative feelings of risk.

The empirical findings also indicate the importance that the customers attributes to the employees having the skills and knowledge to solve their problems. As discussed earlier in this chapter, this knowledge is facilitated by the corporate culture and the organisational structure. The customers also feel that it is more important how the employees act in the delivery compared to the actual service function. This implies that for the personal delivery to be successful the employees should have the skills to interact with the customer. Hence, it can be argued that the competent employees, supported by the relationship building resources organisational structure, culture and systems mentioned above, are vital for the customer feeling satisfaction and high service quality in the personal delivery.

In the indirect relationships to the customer it is not possible for the bank to use the employees, indicating that the other relationship builders must be used. The resource company systems can clearly be seen as a prerequisite for the impersonal delivery to exist. However, the customer interviews indicate that the impersonal communication channels should be easy and comfortable to use. This implies that the technical solutions that enable the customers to interact with the company systems in the delivery should have a customer-oriented

design and be able to provide the possibilities, incentives and motivation so that the customers wants to use it.

According to our empirical findings, the customers also feel that the Internet service that they are using must be safe and reliable since there are no employees present in this delivery. This implies that other service company resources must enable these feelings in the impersonal delivery. Thus, it could be so that it is the customers' perception of the company and not the actual service that enables these feelings. This implies the importance of the brand in the impersonal delivery, since it can fulfil the function to communicate these feelings of safety and reliability, usually connected to the personal relationship, in the impersonal delivery and thus, could arguably reduce the customers' uncertainty and perception of risk.

6 SERVICE OFFERING IN THE POST-MODERN CONTEXT

This chapter will present the effects and implications of the post-modern conditions in terms of service offerings. The analysis is structured according to the, in the theory, identified post-modern conditions and takes into consideration both the actions of SHB and the thoughts of the customers.

The post-modern conditions have several implications on the contemporary customers. The main conditions of post-modernity, as can be seen in table 3-1, are *hyper-reality, fragmentation, the reversal of production and consumption, the decentring of the subject, juxtapositions, focus on surface and appearance and loss of commitment*. Further, it can also be seen that in post-modernity there is an increased focus on image, and the possibilities for the customer to use the image of service and products to promote their self-image.

In order to be able to answer the third sub question, we must thus compare the actions of SHB as well as the thoughts of the customers with these conditions. In the developed analytical framework, Figure 5-1, this part represents the third step.

6.1 Hyper-reality

Our empirical findings tell us that SHB has designed their Internet service so that the customer does not access a general Internet service but instead meets the local office on the Internet. According to SHB, this is done in order to make the customer feel close to their local office and that they are actually interacting with the office through another communication channel than the personal one. This implies that SHB seeks to create the experience of actually entering the local office even though there is no actual personal interaction. It is our belief that this is done in order to benefit from the positive feelings created in the personal interaction in the impersonal interaction as well. Consequently, it could be argued that SHB tries to satisfy both the customers' need for accessibility as well as reliability and trustworthiness by creating the experience of an SHB office in the impersonal communication channels. This implies that the hyper-reality, which according to the conditions of post-modernity are said to exist in the consumption process, can be identified in the Internet service of SHB. This in turn implies the importance of not only the brand in the impersonal contact, but also a customer-oriented design of the

technical solution by which customers interact in order to enable the customer to live through the SHB experience.

It could also be argued that this hyper-reality is stretched not only to incorporate the Internet-service, but also other functions such as the ATM's and the telephone service, which also are services where customer should in a sense feel that they are interacting with SHB, rather than merely interacting with a machine.

According to our empirical findings, the customers' feel that they have a superb relationship with their local office, and they sometimes mention the office as "their personal office". This could be because SHB has enabled the customers to feel close to the office through the attitude and behaviour of the employees, based on the customer oriented corporate culture. Thus, it could be said that this represents a hyper-reality since the customer feels that it is their personal office even though the local office clearly serves a large amount of customers. Once again this could indicate the importance of the decentralised organisation, which can enable this attitude and behaviour from the employees by reducing the physical and mental distance between the employees and the customers.

6.2 Fragmentation

The empirical findings indicate that the bank seeks to address the individual customers rather than creating solutions that can satisfy all customers. Further, the bank states that the offices are evenly spread over Sweden since the money is spread likewise. This could indicate that the bank views the customer base as fragmented and as such seeks to turn to the individual customer's needs. Hence, it could be said that the bank's approach towards the customer indicates that the customer base is fragmented and that it is hard to find any group of homogenous customers. Thus, the bank's customers-focus could be said to be an attempt to cope with a fragmented customer base where it is hard to offer any service solutions based on demographics. Hence, the customer focused corporate culture of SHB could be said to reduce the effects that a fragmented market might have on the bank.

Further, the customers of a bank earlier only had one kind of interaction with the bank, which was the visit to their local office. Today we can see that the bank offers the customers several different ways of interaction. For example,

customers can gain access to the service by using their cellular phone or through the Internet. This implies that the customer also meets an increasing amount of communication fragments. Further, in SHB it is the local office that both meets and is responsible for the customers and all the different communication channels that are connected to the local office. This could indicate that presenting a unified picture in the communication reduces the perception of fragmentation for the customers and incorporates a wish for a sense of security and safety towards the company and services offered. Hence, it could be so that a local focus in a flat decentralised organisation decreases the customer perception of fragmentation and thus risk for confusion.

6.3 The reversal of production and consumption

Considering the theory regarding post-modernity and the condition of the reversal of production and consumption, it is indicated that value is created in the consumption and not in production. However, since services are characterised by an inseparable production and consumption, this condition emphasises the value that is created outside the core service. Services offered through the different communication channels are created by the company in order to satisfy the customer's need for increased accessibility as well as the possibility to consume the service at any given moment. However, the reversal of production and consumption implies that the value for the customer is not created by just offering the possibility of a more accessible service, but instead accessibility is created when the actual service is used and experienced. Also, the value creation of promoting the image of the local office, earlier mentioned in the section regarding hyper-reality, can arguably only be felt by the customer through consumption of the service since services are not possible to evaluate prior to consumption.

In the empirical findings it has been found that closing local offices in order to promote accessibility through Internet services has impacted perceived service quality negatively. This implies that the value of banking is created by consuming the service through the local offices and other communication channels such as the Internet. As shown in the empirical findings where the perception of the relationship with the local offices is described as superb, it can, hence, be argued that enabling the customer to create value by consuming the service through the local office offers benefits in terms of increased service quality for the relationship between the customer and the bank. Consequently,

it can once again be argued that an organisation such as the one at SHB, which focuses on local office, could increase the customer perception of a beneficial relationship.

It could also be argued that the customers' ability to promote an image using the company's image as a tool, deemed important in the post-modern context, is to a large extent created through consuming the service and thus benefiting from values other than those created by the core service. The ability of communicating an image and its importance in the banking industry will be separately discussed in section 6.7.

6.4 The decentring of the subject

By having a customer focus, the bank seems to try to integrate the customer into the service process, and thus enable the possibility to offer the best possible service solution. This is especially visible in the bank's usage of the EKA concept where the customers actively discuss and analyse their needs with the bank, which implies that the customer is not seen as a centrally fixed entity that is exposed to the different service products. Further, the Internet service enables customers themselves to perform the services through the means supplied by the bank and arguably the customer becomes a part of the organisation and the production of the service. Hence, the customer-focus and relationship between the actors indicates that when the customer acts as an active resource in the service process to create a more satisfying service a decentring of the subject is present.

Further, a customer-focus seems to indicate that a market cannot be viewed upon as a homogenous mass of needs and wants, but rather the focus and concentration should be on each individual customer since the customer is a part of the service process. Consequently, it can be argued that a shift has occurred where the customer acting as an entity being offered service products and services has been exchanged towards a decentred part in the process enabling tailor-made offerings, which could increase the perceived quality and customer satisfaction.

6.5 Juxtapositions of opposites

Our empirical work indicates that the customers seek both accessibility, satisfied through impersonal interactions such as the Internet services, and

safety through a personal interaction with an actual person. These contradicting demands, where it must be possible to satisfy the needs of guidance and safety in important matters as well as the wish to with technological solutions independently and easy accessible solve problems through the own ability, seem to highlight the presence of the post-modern condition of juxtapositions of opposites in customers. Arguably, this means that a company's ability to evaluate the emotions in the customers' expressions is important in order to be able to determine how to deliver the service.

Juxtapositions of opposites seem to be present in the behaviour of employees in a bank. The services and products must appeal equally to a young professional or a retired couple and meet different demands based on a level of wished risk aversion, living situation or work situation. This implies that the skilled employees must be able to adapt their way of communicating the bank's messages, image and values. Hence, it could be argued that the customer-oriented resources and knowledge and skills of employees enables the expression of different kinds of images to different customers and approaching each individual at their level and increases the possibilities to satisfy the individual customer's needs of being able to rely upon and trust the bank and, thus, overcoming the problems occurring through the juxtapositions of opposites. Consequently, it seems as all resources are important for the company to support the employees in creating the needed knowledge in the interaction with the customers.

6.6 *Loss of commitment*

The customers in our empirical investigation indicate that although they feel a bond to SHB, this bond is weak and it could be broken if the bank e.g. was involved in a scandal, which implies that the loss of commitment can be identified in the customers of SHB. This also implies that the customers are more sensitive and attentive to changing market trends and new service solutions. The forming of personal relationships could facilitate coping with these external changes and continue and enhance the bond to the customers. Further, by creating a relationship and having a customer-focus it can be argued that the bank is able to follow and satisfy the customers through their life cycles and reduce the probability of switching behaviour, i.e. reduce the negative effects of customers' loss of commitment.

It must however be asked if these actions of the bank will be sufficient to keep the customer in the future? Customers have expressed feelings indicating that the bank does not act with their best interest at heart, e.g. in terms of low interest rates. The common approach in banking where developing universal banks in order to keep the customer in the organisation and to prevent new actors entering the market and taking profitable segments seems to affect the existing relationships with customers negatively. The initial thought of offering a whole banking package and making it easier for customers could actually lower the service quality and incentive to stay in a long-term relationship.

Further, as identified in section 6.2, the customers are exposed to several fragments of communications from different channels. Given the loss of commitment and the fact that customers are used to communicating through different channels, could these different channels not be coming from different banks? Based on the fragmented communication and the loss of commitment it is our belief that the customers could be willing to use different service providers if only the proper incentives are present. Hence, this implies that the new actors present on the market in fact constitute a threat to SHB and similar competitors, which might have negative implications on the bank's future relationship with the customer, in the sense that the customer might turn to the niche banks for service.

Hence, it could be argued that even though relationships between the customer and the bank can reduce the effects of the customer loss of commitment, the focus of the bank must use the relationship to understand the needs of the customers and then satisfy these. Consequently, this indicates the importance of understanding the customer and communicating these customer needs within the organisation, and thus, also emphasising the role of the front-line employees in the relationship, since they are the link to the customers.

6.7 Importance of image in retail banking

Regarding image in banking, the empirical findings indicate that the image of the bank is not used in order to promote a self-image, but rather to promote values beneficial to creating a relationship between customer and bank. The perception of company values and earlier reputation and feelings of credibility with regard to the company seem to be an important determinant of a relationship and not what actual services that are offered, since the banks on the

market offer the same products and services. Hence, it can be argued that customers in banking value what image the service and service provider has instead of only assessing the actual service product when determining which company to interact and create relationships with. This implies the importance for the bank to communicate an image that enables the customer to feel trust and safety in their interaction and relationship with the bank.

Then why is it not important for the customer to use the image of the bank when communicating the image of themselves? The expressed feelings regarding money and personal finances in theory and empirical findings indicate the importance of privacy and safety in banking. Hence, it can be argued that the financial means of an individual is something so important that the customer focuses more on the reputation of the bank in terms of their values, rather than the possibility to communicate an image to others, when selecting which bank to use. Further, it seems more difficult for an individual to easily and clearly communicate a self-image, based on his/her banking selection to others since objects such as clothes and cars are easier for people to communicate and consume, than what bank is used. This implies that in order to make banking an important factor for consumers to communicate a self-image, they must be able to both communicate and consume the image in an easy and visible way.

We further see that the importance of the bank's image in the eyes of the customer has implications on the usage of the company's brand. Our discussion so far implies that the company should use the brand, which is personified by the employees, in services that communicate the desired values. In the case of the banking industry it could be argued that the bank should communicate values that enable the customers to feel trust towards the bank. Consequently, there could also be a link between the ability to use the brand to promote values and the bank's possibility to deliver the SHB experience discussed in section 6.1. Hence, this could be said to indicate that the brand of SHB and the values and images attributed to it are of grave importance in the creation and development of relationships between the bank and customers.

6.8 Emphasis on form and style

The empirical findings show that the treatment in terms of attitude and way the solutions are packaged in the personal interaction are considered more valuable

than the actual functions of the services provided. Further, the similar is visible in the impersonal interaction where an increasing number of communication channels and visual appearance and design of the services are demanded and evaluated instead of the employee attitude. This implies an increased demand on the service provider and the service in terms of the interaction. It could thus be argued that the customer demands more sophistication in terms of the attitude of the employees, by which channels they can communicate with the bank and the visual appearance of the service. Hence, in order to be able to face the future needs of customer and create satisfaction, it seems like emphasis on form and style cannot be neglected in the customer-company interaction.

The findings and analysis presented in chapter five and the analysis in this chapter have enabled us to create a knowledge base to draw conclusions upon the research questions developed in the introducing chapter and give recommendations to the case company and suggestions for necessary future research.

7 CONCLUSIONS AND RECOMMENDATIONS

This last chapter aims to provide answers for our research problems formulated in the first chapter, linking the conceptual model set up in the theoretical framework with the empirical findings. Further, recommendations to the case company will be provided as well as suggestions for further research

7.1 Conclusion

The analysis conducted in the two previous chapters has shown that different relationships exist between service companies and their customers and that different ways of delivery exist taking the post-modern context into consideration.

The first sub question: “*what kind of relationships exists between companies and customers in the service context and how are these built?*” is answered by identifying the different relationship builders, forming personal and impersonal relationships. The understanding is that in services, the main relationship is *personal*, where customers interact with the employees of a service company. These personal relationships are built by employees through the support of the identified service company resources firm, technology, customers and knowledge.

Regarding the *impersonal* relationships, we argue that these are brand and technological relationships also supported by the same service company resources such as the personal relationships. The brand creates the impersonal relationship through ensuring credibility and reliability, which determines the level of trust important for the creation of relationships, when there is no employee present to ensure the same feeling. The technological relationships are important in services since the service is not possible to store and hence the inseparable production and consumption demands that technological solutions exist in order to gain access to the service.

All relationships in the service context are arguably dependent on the level of service quality in the interaction. In order to build relationships, it is necessary that customers perceive that the quality cohere as much as possible with their expectations or a negative feeling will occur that does not create the satisfaction necessary to build a relationship.

The second sub question: “*what are the possible and wished strategies of service offering delivery?*” answers how the service relationships could provide the offering to customers. The understanding is that service delivery is offered through both personal and impersonal communication channels. The selection is based on the level of risk and uncertainty associated with the service offering. The personal delivery is a necessary strategy when the customers feel that high risk and uncertainty are connected with the service, e.g. when applying for a loan, and a wish to interact with a person is present. When the service offering involves a perception of low risk and uncertainty, the service process can be characterised by an impersonal service delivery strategy where the brand and technology replace the face-to-face interaction.

Further, it is arguably that in the service company the delivery can be said to be the relationship since production and consumption occur simultaneously. Consequently, the usage of resources earlier mentioned in the relationship discussion is also valid in the service delivery.

“*What characterises the post-modern context and service delivery within it?*” was the last sub question formulated in order to provide understanding for the main question. In our research all the post-modern conditions, i.e. *hyper-reality, fragmentation, reversal of production and consumption, decentring of the subject, juxtapositions of opposites, loss of commitment, image and emphasis on form and style*, have been identified to affect a service company. Further, we see that the customers’ loss of commitment represents the biggest threat in the relationship between a service company and their customers since it increases the pressure on the company to fulfil customer expectations.

Even though we recognise the importance of being able to promote self-images for customers in the post-modern context, it is our understanding that image and communication of self-images have a reduced importance within the sensitive and personal area of banking. However, the service company must be able to transmit an image appealing to the customers’ wish to take part of their total offering.

Also, it can be seen that service companies do not seem to be aware of either the concept of post-modernism nor the terminology used. It is, however, our

understanding that service companies attributes the post-modern conditions to individual customer behaviour and, hence, take the post-modern conditions into consideration.

In order to answer the main problem “*how can a service company, in the post-modern context, create sustainable relationships with their customers and how could the services offering be delivered?*” it is necessary to give a more extensive explanation of exactly how the relationship builders are linked and can contribute to the long-term success of a service company.

Firstly, the service company resources and capabilities must be developed in order to provide a service offering. Looking more closely, the issues and links identified as important within/between each group of resources are:

Firm – organisational structure

- A customer-orientation is a prerequisite that must exist in the whole organisation since the aim is to provide an offering attractive to the customers
- In order to fulfil the demands of customer-orientation, the organisational structure must facilitate the possibilities for the employees to interact with the customers in a flexible and informal way, increasing the ability to respond and resolve any customer issues that arise
- Having a decentralised flat structure enables the decision power to be a step closer the customer, which allows avoidance for employees to forward decisions as well as the blame for mistakes upwards in the organisation. Hence the possibility to create a sense of reliability and trustworthiness for the customer is enabled
- The structure in a service company must also allow the front-line personnel, interacting with the customers, to quickly reach the supporting knowledge and employees when needed

Firm – organisational culture

- A strong culture providing a clear understanding of what is expected from the employees and by operating a organisational structure to support this, gives the employees the possibility to develop their social and professional skills in accordance with what is required from the customers, as well as

communicating and implementing the values and goals of company in the minds of customers

- The values and goals of the corporate culture transmitted in the whole organisation must be consistent over time and follow a clear service concept emphasising the organisational customer-orientation

Firm – brand

- The service company brand being linked to the organisation as a whole and not to any specific products or services offered, communicates a consistent picture ensuring the values of the company, making customers feel reliability and trustworthiness both in the indirect and direct interaction.
- The importance of the brand in the impersonal delivery is, since it can fulfil the function to communicate these feelings of safety and reliability, usually connected to the personal relationship in the impersonal delivery and thus reduces the customers' feeling of uncertainty and perception of risk.

Employees

- In the personal relationships it is the employee that is the important link that should communicate what should and can be expected from the organisation, in order to minimise the misunderstandings and service gaps that might occur if the wrong expectations of the service exist and are perceived
- Having intra-organisational relationships as well as focusing on and encouraging employee development enhances the employees' ability to build and nurture the customer relationships.

Technology

- The technological company systems as relationship builders on their own do not give the company any competitive advantage, but are a requirement for the creation of personal and impersonal relationships in services since they enable the existence of a larger amount of personal relationships as well as products and services handled by the employees
- Development and changes in company systems need to have a customer-focus in order to not constitute a threat but rather a care for the customer relationship. Hence a link, indicating that the company system supporting the employees in the customer interaction and enabling impersonal

interaction need to have the same decentralised and customer-oriented structure like the organisation and culture, does exist.

Customer

As stated in the first important issue under organisational structure, a customer-focus is necessary since the offering is aimed towards a customer consuming the service provided. The customer is an active and necessary part of the service process and also provides the organisation with information regarding needs and wants and requirements and hence constitutes the resource contributing with external input to the strategic evaluation.

Knowledge

- Knowledge in terms of business intelligence and knowledge about the customer is a result of the interaction between all mentioned resources so far. Without the knowledge the company systems, employees, brand and other firm resources cannot offer a service wished for and needed by the customers.

These resources and capabilities are used to provide the service offering to customers. However, these are affected by the service quality perceived by the customers. Even though the company feels that they are providing a qualitative service, it may not be what is demanded by the customers. The seven identified service quality criteria *professionalism and skills, attitudes and behaviour, accessibility and flexibility, reliability and trustworthiness, service recovery, servscape and reputation and credibility* in the conceptual model are recognised as important in the personal and impersonal relationships between service companies and customers. If the employees and service organisation take all service quality criteria into consideration in the interaction in the service process a feeling of satisfaction is created with the customers.

In the case of banking, we have identified that the employees and company culture and structure as relationship building resources, strongly affect all seven criterions. Professionalism and skills are demanded first, since not having the knowledge in providing the service offering does not enable any relationship to be formed and it is identified as equally important with regard to employees and technical solutions. Most often the emphasis is put on the criteria *attitudes and behaviour, reliability and trustworthiness and reputation and credibility* by

the customers, indicating that service quality is a prerequisite for satisfaction. Serviscape was never a dominating criterion in the service process, but the analysis has shown that it affects and enhances the feeling of trust for the provider and service, indicating that it cannot be neglected since it is a part satisfying the customer expectations. It is our understanding that satisfaction has is a requirement for the customers to create commitment and trust that are identified as necessary for a successful sustainable relationship.

It is known which factors build and affect the relationship and what feelings that are necessary for the recognition of a sustainable relationship. But what strategic consequences do the post-modern context and its conditions have on and need to acknowledge in a service company when delivering the service offering creating sustainable relationships?

- The fragmentation of the market creates a demand for organisations and their employees, with the help of company systems, to be attentive and flexible to satisfy the individual customer's needs, not segments of customers, as well as identifying clusters of needs. This is enabled through having a decentralised organisation, which moves the decision power as well as the responsibility closer to the customer.
- In order to reduce fragmentation in the messages communicated to the customers, the service company needs to make sure that consistency exists in the messages communicated. One way to enable consistency and control over the transmitted messages and information is to do as SHB has done, when making the local offices responsible for the customers in all of the communication channels used.
- The image of the service and the service provider, rather than the image of the services provided in the organisation, is the one that the customers use when comparing its alternatives within the banking sector. Thus, the values and image of the organisation and the service to the customer must be communicated in a clear way in order to distinguish it from the competitors.
- A fragmentation within images is also visible. An organisation must have clear values that customers can identify with, but the employees must have the professional and social skills to meet each individual need and interact in an expected and satisfying way, e.g. meeting a retired couple or family consisting of a couple with younger children, since these customers will seek different variations of the values.

- A decentralised flat organisation is concluded to ensure a customer-focus in services through and adaptable and flexible attitude. As seen in the analysis, customers do not always know the values of the service company. The implication of image as a post-modern condition highlights the importance to work with service brand marketing. Since the service brand is the company and its values, and the employee is the company in the eyes of the consumer in the service process, consistency and a clear understanding of the values through the brand is necessary for the service company. This indicates that a smaller marketing department with full-time marketers responsible for overall strategies is necessary even in services organisations.
- The customer participation in the service process is increasing due to the decentring of the subject. Services should be accessible here and now, and the technological development has facilitated possibilities to consume the service more frequently, which means that the customer participation in the process is increasing due to the shift from employees providing the service to customers actively creates most of the value. Hence, the company must develop and facilitate the necessary solutions in a customer-oriented way in order to sustain the increasingly efficient and value-creating situation.
- The customer loss of commitment indicates a very critical situation for service companies, increasing the uncertainty for both customers and companies. Long-term relationships based on trust and commitment give an incentive to the customer to sustain the bond to the company and hence reduce the risk of switching behaviour.
- Further, with regard to loss of commitment, the customers should be seen as a valuable resource enabling enhancing service quality and strengthening the relationships. Increased interaction with the customer provides the company with the necessary information regarding the current changes in the market in terms of customer needs and expectations and potential threatening competitors. Hence, all the relationship builders, organisational structure, culture, brand, financial means, technology and not least the employees, must focus on gathering the necessary information independently of what kind of relationship that exists between the company and customer.

The approach of using the resource-based view of the firm (RBV) in order to analyse the service company ability to compete has shown successful in our research. The conceptual model has shown that the RBV approach, including

both an internal and external analysis of the factors affecting the company, enables a clear mapping of the current strategic situation in both the service and post-modern context.

Looking at the theoretical framework, the developed conceptual model and the analysis as well as the conclusions the overall conclusion is that in order to be able to develop and maintain relationships in the post-modern context, the company must ensure to focus on each individual's needs and satisfy these both in terms of the service itself as well as how it should be delivered. This should be enabled by placing the employee as well as the decisions and responsibility as close to the customer as possible. This should be done in order to gain the knowledge about what the customer really wants in order for the service companies to ensure that customers can feel that they rely upon and trust the company base on customer-perceived high service quality. The employees being supported by the rest of the existing service company resources enables all this.

7.2 Recommendations to SHB

From our conclusions we can see that Svenska Handelsbanken serves as a good example of a service company building sustainable relations with its customers in the post-modern environment. There are, however, some issues that we feel should be highlighted. The following recommendations should not be seen as strict guidelines, but rather starting points for a discussion within the bank that can serve to further increase the customers' perception of service and relationship quality.

- Our study has shown the importance of service quality in the relationship between a service company and their customers. We therefore advise that SHB should initiate a larger study to investigate how, where and when value is created for the customer. This study would, in combination with our research, further enable the bank to develop the resources that are vital in the value creation.
- This study could also seek to determine if enabling the customer to feel the SHB experience in the impersonal delivery creates value for the customer, and if so how these emotions can be strengthened.

- Even though the decentralised marketing offers benefits for SHB, we feel that the bank can implement additional marketing activities that can complement the existing marketing. Hence, we advise the bank to form a small central marketing support unit that focuses on promoting the values and image of SHB in order to strengthen the company brand and enable the brand to be better communicated to the customers and other stakeholders. This should be done since it is our understanding that the customers of SHB are not aware of the company's values.
- Our research has shown that the customers perceive a lower level of service quality when dealing with other offices than their local. We therefore recommend that not only the benefits, but also the restrictions of the customer oriented culture and organisation, are more clearly communicated to the customers in order to reduce the negative perception of service quality when interacting with other offices.
- Further, the bank can not regard their customers' high perception of service quality as stable. Instead, the bank must constantly develop in order to reduce the gap to the customers' expectation and reduce the threat of the competitors, since it is our understanding that not developing in the post-modern environment actually means going backwards. This development should be done in accordance with our research as well as the earlier recommended study regarding customer value creation.
- It is also our understanding that the niche banks in the banking industry represent a threat to SHB since they offer higher interest rates, which are deemed important by the customer. Hence, the bank must be more attentive to the customers' opinions and wishes. Consequently, we advise the bank to either more clearly communicate why the interest rates are different or adjust them to the level of the competitors in order to satisfy the customers.
- The customers' perception of accessibility in the impersonal relationship is reduced because of the current security solution in the Internet service. We therefore recommend that the bank implement a new security system that will enable the customers to access the service from any computer and thus increase the customers' perception of accessibility. We foresee no decrease in the customers' perception of safety and security when changing systems

since SHB is the only bank that operates the current systems and the competitors use other solutions that are more mobile.

7.3 Suggestions for future research

The result of our study does not only have implications for the case company. During the research we have come across areas, which we feel are important to further investigate in order to understand the relationship between a service company and its customer in the post-modern context.

- In order to further incorporate the views of the customers, it is our recommendation that a future study be conducted where a larger amount of customers are interviewed. This would increase the possibility to evaluate the customers' perception of quality and how this perception is linked to the different service company's resources.
- In our study the resource based view was merged with service marketing. This approach could further be evaluated in order to establish whether it is applicable in other service industries than banking and, thus, be useful for other companies than banks.
- Further, it would also be of interest to broaden our research and evaluate whether the findings are applicable in other sectors of the service industry as well as in other banks that differ in size.
- Another suggestion is to further study the importance of emotions in the impersonal service delivery and how these can be promoted to the customer when no employees are present in the service process.
- Our study identified the effects of all the post-modern conditions in the case company. Further research could investigate whether these conditions can be found in other service sectors as well as which conditions seem to have the largest effects. This is important in order for companies to evaluate which of the conditions, if any, affect their business and thus, must be adapted to.

We hope that these recommendations will be fruitful both for SHB and future (master thesis) researchers, giving them a good foundation to develop or conduct research upon.

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APPENDIX 1

SHB 2003-10-30 Eklund & Wikström

Organisationen

Hur ser arbetet ut på operationell nivå?

Vem bestämmer dom generella riktlinjerna/ramarna för diverse strategiska frågor?

Vem utarbetar värdena som Handelsbanken står för? När, hur och av vem utvärderas dessa?

Vilka är Handelsbankens resurser och kompetenser. Vilka av dessa anser ni var viktigast?

Personal

Utbildning – hur ofta uppdateras personalen om vad organisationen står för/värden?

På vilket sätt motiveras de anställda i organisationen?

Hur arbetar man för att upprätthålla en hög professionalism och skicklighet?

Hur är gången för feedback i organisationen – från kund till anställd till berörd enhet?

Marknadsföring

Vem bestämmer utformning och inriktning av reklamprodukter?

Varumärkesstrategi. Finns det något aktivt arbete med varumärket på strategisk nivå?

Hur arbetar ni för att uppnå varumärkeslojalitet bland era kunder och anställda?

Teknologi

Vilken teknologi prioriteras – tele, Internet eller annan?

Vad får man fram för uppgifter ur databaserna?

Hur används dessa vidare i kundmötena?

Hur många kunder använder sig av Internetbank, telefonbank?

Vad är relationen kontor-Internet? Hur ofta besöker dessa kunderna kontoren?

Hur arbetar Handelsbanken för att skapa relationer med teknologikunderna idag?

Har några problem dykt upp som banken är medvetna om idag?

Vilka är kundernas möjligheter att ge spontant feedback?

Ställer teknologikunden annorlunda krav än de som vill ha personlig kontakt? Tar banken hänsyn till detta och på vilket sätt?

Kunden

Vilka kundsegment finns bland era kunder?

Segmenterar Handelsbanken sina kunder efter lönsamhet?

Hur skiljer sig servicen och relationen till de olika segmenten?

Hur vet ni vad kunden vill ha?

Utför ni själva undersökningar eller köper ni in tjänster från andra?

Hur hanteras de servicegap som kan uppstå mellan förväntad service och upplevd service?

Vad värdesätter den typiska Handelsbankkunden?

Hur försöker man fånga kunderna och använda teknologi?

Övrigt

Vad är kvalitativ service sett från Handelsbanken?

Í vilken utsträckning har varje kund möjlighet att utforma vilka tjänster och produkter han/hon vill ha av Handelsbanken?

SHB 2003-11-11 Eksell

1. Vilka är Handelsbankens resurser och kompetenser. Vilka av dessa anser ni var viktigast?
2. Hur skulle ni beskriva SHB's företagskultur?
3. Finns det någon informell kommunikationskanal inom organisationen där nyheter och annan information sprids?
4. Varumärkesstrategi. Finns det något aktivt arbete med varumärket på operationell nivå?
5. Hur arbetar ni för att uppnå varumärkeslojalitet bland era kunder och anställda?
6. Vem har ansvaret för att utveckla marknadsföringen på kontoret och som driver frågan uppåt i organisationen?
7. Hur arbetar man för att upprätthålla en hög professionalism och skicklighet i de anställda?
8. Hur flexibla är de anställda i att möta kundens krav på tillgänglighet?
9. I vilken utsträckning kan de anställda anpassa sig till efterfrågan och önskemål från kunderna i tjänsteerbjudandet?
10. Ge exempel på hur förtroende för SHB, de anställda och systemen skapas?
11. Hur arbetar ni med serviceåterhämtning, dvs när någonting i processen har gått fel?
12. På vilket sätt skapas en upplevd positiv fysisk omgivning och andra aspekter av miljön i serviceinteraktionen mellan en kund och SHB?
13. Vad får man fram för kunduppgifter ur databaserna? Se ett praktiskt exempel? Hur används dessa vidare i kundmötena?
14. Inom teorin sägs det att alla positiva resultat är beroende på den sociala kontakten i serviceutbytet. Håller ni med om detta och i så fall hur gör man i den indirekta kontakten via Internet och Datasvar?
15. Hur arbetar Handelsbanken för att skapa relationer med teknologikunderna idag? Är deras krav annorlunda än de som har en personlig kontakt?
16. Vad är en EKA kund? Vilken ytterligare service får dessa kunder?
17. Hur skiljer sig servicen och relationen till olika kunder?
 - Kund i ert kontor vs kund i annat SHB kontor
 - Kund i SHB vs kund från annan bank
18. Hur skiljer personliga relationer sig från strategisk CRM?
19. I vilken utsträckning har varje kund möjlighet att utforma vilka tjänster och produkter han/hon vill ha av Handelsbanken?
20. Utför ni själva undersökningar eller köper ni in tjänster från andra?
21. Vad värdesätter den typiska Handelsbankkunden?
22. Hur försöker man fånga kunderna och få dem att använda teknologi?
23. Vet SHB kunden vilka värden som banken står för och som ni vill förmedla?
24. Vad är kvalitativ service sett från Handelsbanken?
25. Hur hanteras de servicegap/skillnader som kan uppstå mellan förväntad service och upplevd service?
26. Hur skapar ni trevligt bemötande och övriga positiva drag av en personlig service i det indirekta mötet?
27. Hur skall serviceerbjudandet levereras till kunderna?
28. Vad kommer de framtida kunderna ha för krav på SHB?

APPENDIX 2

ENKÄT – SERVICE KVALITET I DET INDIREKTA MÖTET MELLAN HANDELSBANKEN OCH DESS KUNDER

Vi är två studenter på Handelshögskolan i Göteborg som gör en 20p mastersuppsats inom ämnet marknadsföring på programmet International Business. Uppsatsens syfte är att ta reda på hur serviceföretag kan skapa varaktiga relationer med sina kunder. Ytterligare fokus är att undersöka hur kundrelationer kan byggas då det finns en ökad användning av indirekta kommunikationsmedel såsom Internet, telefon, mobilt Internet (wap), bankomater etc.

Denna enkät fokuserar på hur Ni som Handelsbankenkund uppfattar kvalitén i relationen med Handelsbanken avseende användandet av tekniska lösningar. Servicekvalitet är av yttersta vikt, då denna ligger till grund för att det överhuvudtaget skall vara möjligt att bygga en varaktig relation som karaktäriseras av förtroende mellan Handelsbanken och kunden.

För att kunna besvara denna studie behöver vi göra en undersökning av utvalda kunder på Handelsbanken som använder sig av de tekniska lösningarna. Urvalet har skett med hjälp av Handelsbanken. Enkäten genomförs helt anonymt och Handelsbanken kommer ej att få ta del av enskilda svar. Vidare omfattas denna undersökning av Banksekretesslagen och Internationella regler för marknadsundersökningar.

Ert svar är viktigt inte bara för vår studie, utan även för Er och Handelsbanken då den möjliggör ytterligare utveckling av bankens servicekvalitet och förståelse för vad Ni som kund önskar.

INSTRUKTIONER:

Spara dokumentet på Er hårddisk. Öppna dokumentet och fyll i enkäten på datorn i Word (ditt ordbehandlingsprogram). Instruktioner finns i anslutning till varje fråga. Då ni fyllt i alla frågor väljer ni att spara dokumentet med alla ändringarna. Vänligen kontrollera att alla svaren finns sparade i dokumentet. Skicka sedan tillbaka dokumentet som bifogad fil i ett mail till ana.lulic@hgus.gu.se d.v.s. samma adress ni fick frågeformuläret ifrån. Glöm inte att skriva er postadress i mailet så vi kan skicka en tia-lott som tack för din medverkan.

Har ni några frågor får ni gärna höra av Er till oss:

Ana Lulic 031-XXXXXXX, 070X-XX XX XX

David Kling-Wahlby 031-XXXXXXX, 070X-XX XX XX

TACK FÖR HJÄLPEN!

Med vänliga hälsningar

David Kling-Wahlby & Ana Lulic

Vänligen fyll i med kryss (X) i det svarsalternativ som representerar dig.

1. Ålder

-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Inkomst

0-120000	120001-180000	180001-240000	240001-300000	300001-360000	360001-420000	420001-480000	480001-
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Sysselsättning

<input type="checkbox"/>

4. Vilka är de kommunikationskanaler som Ni använder i ert förhållande till banken? Flera alternativ kan väljas.

Personligt besök på banken	Internet	Telefon	Bankomat	Wap	Girobetalning	Kortköp (betal/kreditkort)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Rangordna i vilken utsträckning Ni använder följande kommunikationskanaler. Nummer 1 indikerar den som används mest, 2 är näst mest osv. Siffran 0 betyder att kanalen inte används alls.

Personligt besök på banken	Internet	Telefon	Bankomat	Wap	Girobetalning	Kortköp (betal/kreditkort)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPENDIX

Resterande frågor i studien är indelat in i tre avsnitt. Fokus kommer att ligga på de två indirekta kommunikationskanalerna Internet och Telefon/datasvar. Först ska du svara på vilka tjänster du använder, vilka du önskar använda och hur viktiga de är för dig. Sedan skall ni svara på påståenden om Handelsbanken om hur väl de överensstämmer och hur viktiga de är för dig. Sista delen i undersökningen beskriver olika påståenden om Internet och Telefon/telesvar tjänsterna. Även här ber vi dig besvara hur väl dessa påståenden stämmer och hur viktiga de är för dig. Vid varje fråga finns ett exempel som beskriver hur du skall fylla i ditt svar.

6. Vilka tjänster använder Ni idag genom Internet och Telefon/datasvar?

Flera alternativ kan väljas. Markera med kryss (X) i respektive kommunikationskanals fält.

	Internet	Telefon/datasvar
Se dina kontotransaktioner och saldo		
Kontoöverföringar inom Handelsbanken		
Kontoöverföringar externa banker		
Betala räkningar		
Räkningar via e-giro		
Ansöka om lån		
Bli beviljad lån		
Information om Era lån		
Binda räntor		
Öppna aktiedepå		
Handla (sälja & köpa) aktier		
Öppna fondkonto		
Handla (sälja & köpa) fonder		
Öppna nya konton		
Starta pensionsparande		
Finansiell rådgivning från banktjänsteman		
Annat: (ange vad)		

7. De gråa fälten representerar Internet och de gula telefon/datasvar.

I de vänstra kolumnerna skall Ni med kryss (X) ange vilka tjänster Ni kan tänka Er att använda genom Internet och Telefon/kvalitet. I de högra kolumnerna, skall Ni ange hur viktig respektive tjänst är för dig för Internet respektive Telefon/datasvar. 1= helt oviktigt och 10= mycket viktigt.

	Internet		Telefon/datasvar	
	Tjänster Ni vill ha	Hur viktig är tjänsten	Tjänster Ni vill ha	Hur viktig är tjänsten
		1 - 10		1 - 10
Exempel: köpa aktier	X	9		
Se kontotransaktioner och saldo				
Kontoöverföringar inom Handelsbanken				
Kontoöverföringar externa banker				
Betala räkningar				
Räkningar via e-giro				
Ansöka om lån				
Bli beviljad lån				
Information om Era lån				
Binda räntor				
Öppna aktiedepå				
Handla (sälja & köpa) aktier				

APPENDIX

Öppna fondkonto				
Handla (sälja & köpa) fonder				
Öppna nya konton				
Starta pensionsparande				
Finansiell rådgivning från banktjänsteman				
Annat: (ange vad)				

8. Ange i de turkost färgade fälten hur Ni anser att påståendet stämmer i Er relation med Handelsbanken. 1= stämmer inte alls & 10= stämmer mycket väl. Ange i det rosa fältet hur viktigt respektive påstående är i Er relation med Handelsbanken? 1= helt oviktigt och 10= mycket viktigt

Exempel: Jag har förtroende för handelsbanken

Handelsbanken hyser en genuin omtanke om mig som kund
 Handelsbanken är genuint intresserad av att hjälpa *mig* för att på bästa sätt att lösa de uppgifter jag önskar genomföra
 Mina kontakter med Handelsbanken präglas av vänlighet
 Mina kontakter med Handelsbanken präglas av spontanitet
 Handelsbanken är alltid villig att hjälpa mig
 Handelsbanken lever upp till sina löften
 Då problem uppstår, visar Handelsbanken ett uppriktigt intresse att lösa problemet
 Handelsbanken agerar med mina intressen i främsta hand
 Handelsbanken är alltid mån om att rätta till problem som har uppstått
 Handelsbanken står för värderingar som jag identifierar mig med
 Handelsbanken har ett rykte om sig att vara tillförlitlig
 Handelsbankens personliga tjänster ger rätt värde för pengarna
 Handelsbankens personliga tjänster utförs på det sätt som jag vill ha det

Påståendet överensstämmer	Hur viktigt är påståendet
1 - 10	1 - 10
6	9

Tjänsten sparar mig tid

[illegible]

APPENDIX

11. Vilka faktorer anser Ni vara viktigast i följande två relationer till Handelsbanken? Använd enstaka ord såsom säkerhet, effektivitet etc. Endast ett ord i varje ruta tack.

Personlig relation (besök på bankkontor)	Indirekt relation (Internet, telefon/datasvar, bankomat, girobetalning etc)

12. Ange hur du vill att din framtida relation med Handelsbanken skall se ut. Ange endast ett alternativ med ett kryss (X).

<input type="checkbox"/>	Endast personlig relation (besök på Handelsbankenkontor)
<input type="checkbox"/>	Endast indirekta kommunikationsmedel (exempelvis internet)
<input type="checkbox"/>	Personlig relation med inslag av indirekt kommunikationsmedel
<input type="checkbox"/>	Indirekta kommunikationsmedel med inslag av personlig relation

13. Anser Ni det vara av vikt att ha en känsla av personlig relation till Handelsbanken även om Ni endast använder indirekta kommunikationskanaler? Om ja, se fråga 14, om nej fortsätt till fråga 15..

JA	NEJ
<input type="checkbox"/>	<input type="checkbox"/>

14. Om Ni svarat ja på ovanstående fråga, ange kort i egna ord hur Ni anser att banken kan skapa känsla av personlig relation. (Rutan kommer automatiskt bli större om ni skriver mycket)

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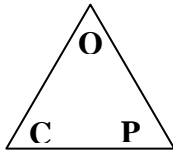
15. Avslutningsvis lämnar vi utrymme för er att med egna ord kommentera er nuvarande relation till Handelsbanken och den upplevda kvalitet och er syn på framtiden. Ni kan även lämna meddelande till undersökarna. (Rutan kommer automatiskt bli större om ni skriver mycket)

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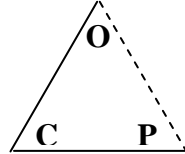
TACK FÖR ER MEDVERKAN OCH ERT BIDRAG TILL VÅR STUDIE!

APPENDIX 3

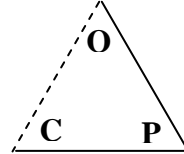
RELATIONSHIP MODELS



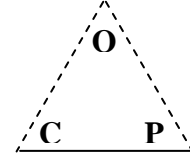
A good model ,
but describes a
very small
number of
businesses



Here, the
customer has a
tradition with the
company and
deals with the
same provider
each time, such as
an assigned
phone
representative



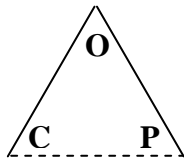
In this model, the
provider may be
the founder and
“star” whose
clients value him
highly and
whose firm is
well-known



This is a business
in which the
organisation
serves only as
means to bring
together
customers and
providers

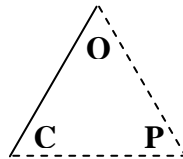
——— Tight link
----- Loose

ENCOUNTER MODELS

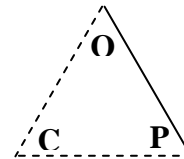


enhanced encounters or
pseudo-relationships

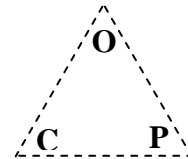
The customer know
and trusts the
organisation which
also keeps the
loyalty of its
employees



The organisation
offers good value
to the customer
and enjoys repeat
business, but has
a high turnover of
employees



Here, the
company has
done a good job
of hiring and
training
employees, but
has not built a
strong image with
customers



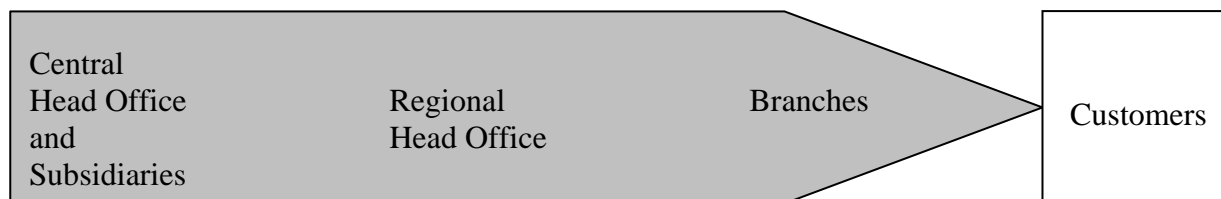
This is an
encounter
business which
does little to gain
repeat customers
and has high
employee
turnover – not
useful for most
business

——— Tight link
----- Loose

Source: Adapted from Gutek & Welsh, 2000, p.62

APPENDIX 4

The Handelsbanken Group's Organisation



CENTRAL HEAD OFFICE	REGIONAL HEAD OFFICE	BRANCH OFFICES IN SWEDEN
Group Management	Northern Norrland Umeå	456
Business operation departments Asset management Markets	Southern Norrland Gävle	OTHER NORDIC COUNTRIES AND GREAT BRITAIN
Business support departments Administration Asset management Auditing Business development Control and accounting Corporate communication Credits Human resources IT operations Legal Markets Treasury	Stockholm City Stockholm	Denmark (33) Finland (28) Norway (27) Great Britain (8)
	Central Sweden Stockholm	
	Eastern Sweden Linköping	REST OF THE WORLD
	Western Sweden Göteborg	Austria China (3) France (2) Germany (33) Luxembourg Netherlands Poland Russia Singapore Spain Switzerland Taiwan USA
	Southern Sweden Malmö	
	Denmark Copenhagen	
SUBSIDIARIES	Finland Helsinki	
Handelsbanken Finans Handelsbanken Fonder Handelsbanken Liv SPP Stadshypotek - Handelsbanken Hypotek Stadshypotek Bank	Norway Oslo	
	Great Britain London	

Source: Adapted from Handelsbanken annual report 2002, Wikström, 2003, Eklund & Wikström, 2003

APPENDIX 5

